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NICARAGUA CANAL.

IN THE SENATE OF THE UNITED STATES,
June 8, 1898.

Resolved, That the treaties, known as the Clayton-Bulwer treaty and the Frelinghuysen-Zavala treaty, relating to a maritime canal in Nicaragua, and the treaty between the United States and Nicaragua, relating to such canal, and the concessions of Nicaragua and Costa Rico to A. G. Menocal and his associates, relating to said canal, be printed together as a document for the use of the Senate.

Attest:

WM. R. COX, *Secretary*.

CLAYTON-BULWER TREATY OF APRIL 19, 1850.

The United States of America and Her Britannic Majesty, being desirous of consolidating the relations of amity which so happily subsist between them, by setting forth and fixing in a convention their views and intentions with reference to any means of communication by ship-canal which may be constructed between the Atlantic and Pacific oceans by the way of the river San Juan de Nicaragua and either or both of the Lakes of Nicaragua or Managua, to any port or place on the Pacific Ocean, the President of the United States has conferred full powers on John M. Clayton, Secretary of State of the United States, and Her Britannic Majesty on the Right Honorable Sir Henry Lytton Bulwer, a member of Her Majesty's most honorable privy council, knight commander of the most honorable Order of the Bath, and envoy extraordinary and minister plenipotentiary of Her Britannic Majesty to the United States, for the aforesaid purpose; and the said plenipotentiaries having exchanged their full powers, which were found to be in proper form, have agreed to the following articles:

ARTICLE I.

The Governments of the United States and Great Britain hereby declare that neither the one nor the other will ever obtain or maintain for itself any exclusive control over the said ship canal; agreeing that neither will ever erect or maintain any fortifications commanding the same or in the vicinity thereof, or occupy, or fortify, or colonize, or assume, or exercise any dominion over Nicaragua, Costa Rica, the Mosquito coast, or any part of Central America; nor will either make use of any protection which either affords or may afford, or any alliance which either has or may have to or with any state or people, for the purpose of erecting or maintaining any such fortifications, or of occupying, fortifying, or colonizing Nicaragua, Costa Rica, the Mosquito coast, or any part of Central America, or of assuming or exercising dominion over the same; nor will the United States or Great Britain take advantage of any intimacy, or use any alliance, connection, or influence that either may possess with any state or government through whose territory the said canal may pass, for the purpose of acquiring or holding, directly or indirectly, for the citizens or subjects of the one,

any rights or advantages in regard to commerce or navigation through the said canal which shall not be offered on the same terms to the citizens or subjects of the other.

ARTICLE II.

Vessels of the United States or Great Britain traversing the said canal shall, in case of war between the contracting parties, be exempted from blockade, detention, or capture by either of the belligerents; and this provision shall extend to such a distance from the two ends of the said canal as may hereafter be found expedient to establish.

ARTICLE III.

In order to secure the construction of the said canal, the contracting parties engage that if any such canal shall be undertaken upon fair and equitable terms by any parties having the authority of the local government or governments through whose territory the same may pass, then the persons employed in making the said canal, and their property used, or to be used, for that object, shall be protected, from the commencement of the said canal to its completion, by the Governments of the United States and Great Britain, from unjust detention, confiscation, seizure, or any violence whatsoever.

ARTICLE IV.

The contracting parties will use whatever influence they respectively exercise with any state, states, or governments, possessing or claiming to possess any jurisdiction or right over the territory which the said canal shall traverse, or which shall be near the waters applicable thereto, in order to induce such states or governments to facilitate the construction of the said canal by every means in their power. And furthermore, the United States and Great Britain agree to use their good offices, wherever or however it may be most expedient, in order to procure the establishment of two free ports, one at each end of the said canal.

ARTICLE V.

The contracting parties further engage, that when the said canal shall have been completed, they will protect it from interruption, seizure, or unjust confiscation, and that they will guarantee the neutrality thereof, so that the said canal may forever be open and free, and the capital invested therein secure. Nevertheless, the Governments of the United States and Great Britain, in according their protection to the construction of the said canal, and guaranteeing its neutrality and security when completed, always understand that this protection and guarantee are granted conditionally, and may be withdrawn by both governments, or either government, if both governments, or either government, should deem that the persons or company undertaking or managing the same adopt or establish such regulations concerning the traffic thereupon as are contrary to the spirit and intention of this convention, either by making unfair discriminations in favor of the commerce of one of the contracting parties over the commerce of the other, or by imposing oppressive exactions or unreasonable tolls upon passengers, vessels, goods, wares, merchandise, or other articles. Neither party, however, shall withdraw the aforesaid protection and guarantee without first giving six months' notice to the other.

ARTICLE VI.

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The contracting parties in this convention engage to invite every state with which both or either have friendly intercourse to enter into stipulations with them similar to those which they have entered into with each other, to the end that all other states may share in the honor and advantage of having contributed to a work of such general interest and importance as the canal herein contemplated. And the contracting parties likewise agree that each shall enter into treaty stipulations with such of the Central American States as they may deem advisable, for the purpose of more effectually carrying out the great design of this convention, namely, that of constructing and maintaining the said canal as a ship communication between the two oceans for the benefit of mankind, on equal terms to all, and of protecting the same; and they also agree, that the good offices of either shall be employed, when requested by the other, in aiding and assisting the negotiation of such treaty stipulations; and should any differences arise as to right or property over the territory through which the said canal shall pass between the states or governments of Central America, and such differences should in any way impede or obstruct the execution of the said canal, the Governments of the United States and Great Britain will use their good offices to settle such differences in the manner best suited to promote the interests of the said canal, and to strengthen the bonds of friendship and alliance which exist between the contracting parties.

ARTICLE VII.

It being desirable that no time should be unnecessarily lost in commencing and constructing the said canal, the Governments of the United States and Great Britain determine to give their support and encouragement to such persons or company as may first offer to commence the same, with the necessary capital, the consent of the local authorities, and on such principles as accord with the spirit and intention of this convention; and if any persons or company should already have, with any state through which the proposed ship canal may pass, a contract for the construction of such a canal as that specified in this convention, to the stipulations of which contract neither of the contracting parties in this convention have any just cause to object, and the said persons or company shall moreover have made preparations, and expended time, money, and trouble, on the faith of such contract, it is hereby agreed that such persons or company shall have a priority of claim over every other person, persons, or company to the protection of the Governments of the United States and Great Britain, and be allowed a year from the date of the exchange of the ratifications of this convention for concluding their arrangements, and presenting evidence of sufficient capital subscribed to accomplish the contemplated undertaking; it being understood that if, at the expiration of the aforesaid period, such persons or company be not able to commence and carry out the proposed enterprise, then the Governments of the United States and Great Britain shall be free to afford their protection to any other persons or company that shall be prepared to commence and proceed with the construction of the canal in question.

ARTICLE VIII.

The Governments of the United States and Great Britain having not only desired, in entering into this convention, to accomplish a particular object, but also to establish a general principle, they hereby agree to

extend their protection, by treaty stipulations, to any other practicable communications, whether by canal or railway, across the isthmus which connects North and South America, and especially to the interoceanic communications, should the same prove to be practicable, whether by canal or railway, which are now proposed to be established by the way of Tehuantepec or Panama. In granting, however, their joint protection to any such canals or railways as are by this article specified, it is always understood by the United States and Great Britain that the parties constructing or owning the same shall impose no other charges or conditions of traffic thereupon than the aforesaid Governments shall approve of as just and equitable; and that the same canals or railways, being open to the citizens and subjects of the United States and Great Britain on equal terms, shall also be open on like terms to the citizens and subjects of every other state which is willing to grant thereto such protection as the United States and Great Britain engage to afford.

ARTICLE IX.

The ratifications of this convention shall be exchanged at Washington within six months from this day, or sooner if possible.

In faith whereof we, the respective plenipotentiaries, have signed this convention, and have hereunto affixed our seals.

Done at Washington, the nineteenth day of April, anno Domini one thousand eight hundred and fifty.

JOHN M. CLAYTON. [L. S.]
HENRY LYTTON BULWER. [L. S.]

TREATY BETWEEN THE UNITED STATES OF AMERICA AND THE REPUBLIC OF NICARAGUA PROVIDING FOR THE CONSTRUCTION OF AN INTEROCEANIC CANAL ACROSS THE TERRITORY OF NICARAGUA.

The United States of America and the Republic of Nicaragua recognizing the importance of an interoceanic communication across the isthmus at Nicaragua which shall bring into close communication the ports of North and South America, and shall facilitate commerce between Europe and the ports of the Pacific, between the eastern ports of Asia and the Atlantic seaboard, and the ports of the United States on the Pacific and Atlantic, have agreed for this purpose to build a canal, and to that end to conclude a treaty, and have accordingly named as their respective plenipotentiaries the President of the United States, Frederick T. Frelinghuysen, Secretary of State of the United States of America, and the President of Nicaragua, General Joaquin Zavala, ex-President of the Republic of Nicaragua, who, after communicating to each other their full powers, found in due and proper form, have agreed upon the following articles:

ARTICLE I. The canal shall be built by the United States of America and owned by them and the Republic of Nicaragua, and managed as hereinafter provided.

ARTICLE II. There shall be perpetual alliance between the United States of America and the Republic of Nicaragua, and the former agree to protect the integrity of the territory of the latter.

ARTICLE III. A practicable ship-canal for vessels of the largest size

now commonly used in commerce shall be commenced by the United States and be prosecuted to as speedy conclusion as circumstances may permit, subject to the limitation provided in Article XX of this convention. This canal shall follow what may be decided to be the most available route from ocean to ocean; and the United States in building the canal shall enjoy the fullest liberty in its construction, and in its location, and that of its dependencies, accessories, and works, as well as in the selection of entrance ports.

Should it be found necessary or desirable to leave the bed of the San Juan River at any point and to construct a lateral canal the Government of Nicaragua reserves the right to require the establishment of a lock communication for vessels of 6 feet draft and 160 feet length, between the lower part of the river and that part used for the canal; but the Government of Nicaragua will advise the United States of its wishes in this regard so soon as work shall be begun in the river, and it is expressly stipulated that Nicaragua alone shall be responsible for the maintenance and operation of this communication, and for the navigable condition of the lower river.

ARTICLE IV. For the purpose of carrying out this agreement the Republic of Nicaragua agrees to give the United States free use of Lake Nicaragua, to furnish, free of cost, all the spaces necessary to the construction, maintenance, use, and enjoyment of the canal, and for any probable future enlargement thereof, whether these spaces be upon the dry land, in the lakes and upon their islands, in the rivers and upon their islands, or at the ports and roadsteads of the two oceans, together with their surroundings and declivities, and all the spaces required for the deposit of materials from excavations and cuttings, from the overflow arising from dams in the rivers, for all deviations of streams from their channels, as well as for reservoirs, dykes, piers, docks, spaces about locks, for lights, beacons, storehouses, machine shops, buildings, and for whatever other thing necessary, and in short, all lands, waters, and places within the Republic of Nicaragua required for the construction, maintenance, use, and business of the canal, including a railway, from one terminus of the canal to the other, substantially parallel to and near the bank of the canal and along the southern shore of Lake Nicaragua, together with a telegraph line, should the United States decide to construct either said railway or telegraph line, or both, which shall be regarded for all purposes of this treaty as part of the canal so long as they are maintained.

ARTICLE V. The work shall be declared one of public utility, and for the purposes of building and operating the canal, railway, and telegraph line, the Republic of Nicaragua undertakes to expropriate lands belonging to individuals. Any private property and real estate actually held by individuals or corporations which shall be taken or used by the United States for the construction of the canal or its accessories, or for their maintenance, shall be so taken upon condemnation and appraisal of the value of such property, and the Government of the United States will pay to the owners thereof the value fixed by a commission of assessors comprising three members, one of whom shall be appointed by the President of the United States, one by the President of Nicaragua, and the third to be chosen by these two jointly.

The United States or the board of managers hereafter provided for, as the case may be, shall have the right to take from the public lands of Nicaragua any materials whatever needed for the construction, preservation, maintenance, and use of the canal, and of its ports, dependencies, accessories, and equipments. When materials are taken from

private lands, the United States or the said board of managers shall enjoy in their use all the rights the Republic of Nicaragua enjoys by law and usage.

As to the contract of the Government of Nicaragua with Mr. F. A. Pellas, relating to steam navigation, that Government engages that the said contract shall not be considered applicable to the necessary operations of either party to this convention in constructing or operating the canal, or any part of it, during the time the contract has yet to run, this exemption to include necessary canal work and transportation on Lake Nicaragua and the rivers of the Republic; further, the said Government of Nicaragua agrees that should the Government of the United States during the period the said contract has yet to run find it advisable to purchase the franchise, property, and rights now held by said Pellas by virtue of said contract, the said franchise, property, and rights shall be expropriated by the same form and under the same conditions as are fixed in this article for the expropriation of other private property.

Should the United States in the construction of the said works find it necessary to occupy any lands belonging to the Republic, they shall have the right to do so free of charge during such temporary occupation, and the land so occupied, if sold or otherwise alienated, shall be conveyed with the reservation of this temporary right of occupation by the United States.

ARTICLE VI. The United States shall have the right throughout the extent of the canal, and of its accessories, dependencies, and adjuncts, as well as at its mouths on both oceans, and in the lake and rivers which the canal route may traverse, and that may be used in any manner in connection with the canal construction, to enter upon work of any kind whatsoever deemed necessary by the engineers for the construction of a safe, effective, durable, and speedy route for the transit of vessels from ocean to ocean, without let or hindrance of any kind from the Government or people of the Republic of Nicaragua; and also for the construction of the said railway and telegraph line.

ARTICLE VII. A strip of territory $2\frac{1}{2}$ English miles in width, the middle of this strip to coincide with the center line of the canal, and also a strip $2\frac{1}{2}$ miles wide around the southern end of the lake where the lake is used as a water-course for the canal, as well as a strip $2\frac{1}{2}$ miles wide along the river where the river is used as a part of the canal, shall be set aside for the work, and owned by the two contracting parties, and where the railway and telegraph line aforesaid may of necessity pass beyond the bounds of such strip of land a plot one-half of a mile in width, whose center line shall coincide with the railway outside of the belt reserved for the canal, shall also be so set aside and owned. And all the land in this article referred to shall be subject to the agreement hereinbefore made as to lands, when owned by the State or by private individuals, necessarily used in the prosecution of the work; but the said lands in this article described shall not include towns, villages, or cities now in existence. In such case only that part shall be considered as embraced in this article as is absolutely essential to the economical prosecution or administration of the work. Over these strips, in time of peace, Nicaragua shall exercise civil jurisdiction, and its inhabitants shall not in any way be considered as impaired in their rights as citizens of the Republic.

ARTICLE VIII. No custom-house tolls or other taxes or impositions of any sort or kind shall be levied by the Government of Nicaragua upon any vessels passing the canal, their cargoes, stores, passengers, crews,

or baggage, or for unloading, loading, docking, or repairing vessels, it being the intent of this agreement that vessels, their cargoes, passengers, and crews, shall pass the canal free of any charge other than that imposed upon them by the two Governments, in their capacities as owners of the work. Nicaragua may, however, provide a police system along the line of the canal to keep the peace and to prevent smuggling into her territory, the reasonable cost of which, as approved from time to time by the board of managers, shall be a charge upon the revenues of the canal.

The board of managers shall have the right to discharge and reload ships in transit, at such points as may be convenient, in order to make repairs, or to lighten the vessel, or to shift cargo, by reason of any cause rendering any of these acts necessary, or may transship cargo without being subject to search, exactions, duties, or taxes of any kind; but before beginning such operations notice thereof must be given to the nearest customs authority.

ARTICLE IX. The Government of the Republic of Nicaragua, in conformity with the laws, shall lend its protection to the engineers, contractors, agents, employés, and laborers employed in the construction, maintenance, and management of the canal and its accessories, and they shall be wholly exempt from military requisitions and forced loans; but if any such persons shall acquire real estate outside the strips provided for in Article VIII hereof they shall be subject to the taxes fixed by law.

The Government of Nicaragua guarantees to the canal and its accessories, and to its agents of all classes, security under the laws of the country against domestic acts of hostility, in the same degree as in the case of other inhabitants, employing all its powers for their protection.

ARTICLE X. All contracts for the construction, maintenance, and management of the canal and its accessories may be enforced according to the laws of Nicaragua and the provisions of this convention.

ARTICLE XI. The canal and its accessories and dependencies of every kind shall be exempt, in peace and in war, from every form of taxation upon real or personal property acquired in virtue of this convention, and from every form of direct or indirect taxation, contributions, local taxes, or other dues in respect to the ownership and use of the canal and its accessories, or of the buildings, or constructions, or equipments, or appliances appertaining thereto, or to the ports and maritime establishments thereof anywhere in the Republic, and upon the lands set aside for the purposes of the canal and its accessories.

The Republic of Nicaragua binds itself not to establish tonnage dues, anchorage, light, wharf, or pilot dues, or charges of any class whatsoever upon vessels of whatever kind, or upon merchandise, or crews, or passengers, or gold or silver, or diamonds, or anything traversing the canal, all such dues being for the benefit of the two Governments in their capacity as joint owners and managers of the canal and its accessories; but merchandise, loaded or unloaded in any part of the canal or its accessories, coming from or destined to Nicaragua and intended for sale, shall pay dues for exportation or importation, fixed by the revenue laws of Nicaragua.

ARTICLE XII. All articles necessary for the construction and repair of the canal and its accessories may be imported without duty or tax of any kind being laid thereon by the Government of Nicaragua, including such iron, steel, locomotives, cars, telegraph wires and instruments, tugs, dredges, and vessels or other things as may at any time be used in the construction, improvement, prosecution or maintenance of the work, or

in the maintenance or improvement of the same after its completion; and during the construction of the canal and its accessories, all supplies, whether personal or otherwise, except tobacco, spirits, or wines, used by those engaged in the work, shall be free of any customs or other tax, but no such supplies shall be permitted to be sold to those not actually engaged in the work, or to be smuggled into or sold in the interior.

All vessels in the service of the canal and its accessories, with their equipments and outfits, arriving at any port of Nicaragua from any point whatever, shall be free of all duties and port charges.

ARTICLE XIII. For and in consideration of the preceding articles the United States of America agree to furnish the money and to build the said canal and its accessories, including, if found advisable, the said railway and telegraph line, together with all docks, locks, machine shops, repair shops, annexes, machinery, feeders, &c., it being the intent of this agreement that the United States of America shall build and complete the canal, with everything appertaining thereto, for the safe and speedy passage of the vessels hereinbefore described, and for through communication between ocean and ocean, and such loading and repairing as may be necessary, at their sole cost and without expense to the Government of Nicaragua.

ARTICLE XIV. The United States shall have exclusive control of the construction of the canal and railway and telegraph line if the same be built, and shall be invested with all the rights and powers necessary thereto. The management, care, and protection of the canal and its accessories, including the said railway and telegraph line if built, under the general supervision of the two Governments, shall be entrusted to a Board of Managers, which shall consist of six members, three of whom shall be appointed by the President of the United States, by and with the advice and consent of the Senate thereof, should the Senate be in session; or, should the Senate not be in session the three members shall be appointed by the President subject to confirmation by the Senate at its next session, and three by the Republic of Nicaragua. Any vacancy which may occur among the members of the Board appointed by the President of the United States shall be filled by the said President, in the manner provided in the United States for filling vacant government offices, and any vacancy which may occur among the members of the Board appointed by the President of Nicaragua shall be filled by the said President in the manner provided in Nicaragua for filling vacant government offices. This Board shall be designated as soon as the canal is ready for traffic, and shall determine all questions by a majority vote. The chairman of the Board shall be one of the members appointed by the President of the United States and designated as chairman by him, and in case of a tie the chairman shall have an additional vote. This Board shall be entrusted with the general executive management of the canal and its accessories, including said railway and telegraph line when built, and of all matters relating to the maintenance or improvement thereof; shall fix the tolls and provide rules and regulations for the management thereof; their action shall be, however, at all times, subject to a joint direction by the Presidents of the two Republics, which they shall be bound to implicitly obey. The said Board of Managers shall have the right and power to levy and collect for steamers, ships, and vessels of every class entering the canal or the ports at the canal entrances, and for passengers, merchandise, and cargo of all kinds, transit, navigation, tonnage, light, and port dues, as well as for towage, storage, anchorage, wharfage, and hospital dues and all other like fees.

The Government of Nicaragua guarantees the enforcement of the regulation so adopted by the Board of Managers as if issued by the Government of Nicaragua.

The tolls hereinbefore provided shall be equal as to vessels of the parties hereto and of all nations, except that vessels entirely owned and commanded by citizens of either one of the parties to this convention and engaged in its coasting trade may be favored.

Nicaraguan vessels, using a portion only of the canal, shall pay proportionate tolls, and shall pay no tolls where the canal shall use any part of any existing navigable waterway.

ARTICLE XV. The books and affairs of the said Board of Managers shall be subject to such inspection or examination as the President of either Republic shall at any time direct. The Board of Managers shall, on the first days of January, April, July, and October, in each and every year, make to the President of each Republic a full and complete report of their transactions during the preceding quarter, and the President of either Republic may, at any time, call upon them for such other or further information as he may deem expedient.

The Board of Managers shall appoint and remove all officers engaged upon the canal and its accessories, including the railway and telegraph line, and may make regulations for the appointment and removal of all subordinate employés.

ARTICLE XVI. All the proceeds of the canal and its accessories, including said railway and telegraph line, shall be applied:

First. To the maintenance and improvement, if found necessary, of the works, including the salaries of the Board of Managers and all officers and others employed.

Second. The balance shall be paid to the two Governments in the following proportions, viz, to Nicaragua, one-third, and to the United States, two-thirds.

Liquidation of the accounts of the Board of Managers and payment of the balances herein prescribed shall be effected quarterly, on the first days of January, April, July, and October in each and every year.

ARTICLE XVII. The Government of Nicaragua grants to the United States during the construction of the canal and its accessories, and to the Board of Managers thereafter, the right to use any of the ports of the Republic open to commerce as places of refuge for the vessels in the service of the canal and its accessories, or for any other vessels whatever having the right to pass the canal and wishing to anchor in said ports, and these vessels shall be free of all dues or charges of any kind on the part of the Republic of Nicaragua.

ARTICLE XVIII. The United States frankly disavow any intention to in any way seek to impair the independent sovereignty of Nicaragua, or to aggrandize themselves at the expense of that State or of any of her sister republics in Central America; but, on the contrary, desire to strengthen the power of free republics on this continent, and to promote and develop their prosperity and independence. Pursuant to this wish they have united with Nicaragua in the construction of this work, which will be of advantage not only to the two nations most intimately concerned, but to all those with whom they are on terms of friendship.

ARTICLE XIX. If, in virtue of any existing treaty between the Republic of Nicaragua and a third power, privileges or rights are stipulated in favor of such third power in respect of an interoceanic transitway, which may not be compatible with the terms of the present convention, the Republic of Nicaragua engages to terminate such treaty in due

form by giving to the said third power the stipulated notification within two months from the date of the exchange of the ratifications hereof; and if such treaty between Nicaragua and any third power contain no termination clause, the Republic of Nicaragua engages to procure its abrogation or modification so as not to conflict with the present compact, and the United States will use their good offices, if need be, to the end of effecting such abrogation or modification.

ARTICLE XX. The United States of America engage to begin effective work on the canal within two years from the exchange of ratifications of this treaty, and to complete the canal within ten years after beginning it, in default of which this treaty shall become inoperative: *Provided, however,* That should there arise insuperable obstacles to retard the work during this term it shall be prolonged in proportion to the time lost by reason of such obstacles. And further, if at the expiration of the said ten years the canal shall not be open to commerce between the two oceans, then, in consideration of the large capital invested in the work and of the good faith and ability shown, as well as of the difficulties encountered, the Republic of Nicaragua binds itself to extend this period so far as it is just and necessary.

ARTICLE XXI. Any difficulties between the parties hereto shall be submitted to the arbitration of a friendly power, if one can be agreed upon; or, failing such agreement, each party shall request a friendly nation to name an arbitrator, and the arbitrators thus named shall select a third. The decision of the arbitrating power, or a majority of the Board of Arbitrators, as the case may be, shall be final and conclusive.

ARTICLE XXII. The United States will aid by their good offices, if desired, in securing the union of the five Central American Republics under one representative government, and the reorganization of the said Republics in one nationality being accomplished, the Central American Republics shall have the same rights and bear the same obligations as Nicaragua has and bears by virtue of this treaty.

ARTICLE XXIII. It appearing that the financial condition of Nicaragua is prosperous, that the Republic is without incumbrance of debt, and that the Government finds it necessary to finish as soon as possible certain railways within the Republic, to extend its telegraph line, and to improve the navigation of the river San Juan, which enterprises will be of aid to the canal and favorable to its speedy construction and successful operation, the Government of the United States agrees to loan to the Government of Nicaragua the sum of four millions of dollars to be applied to the above enumerated projects. Of this amount one million dollars shall be paid in the city of Washington within ninety days after the exchange of the ratifications of this convention, and the remaining three millions in installments of five hundred thousand dollars each every six months thereafter until the whole amount shall have been paid; but a failure to pay any of these sums from accident or non action of Congress at the exact dates herein specified, such payments being made thereafter in good faith, shall not be held as affecting in any way the other engagements of this convention.

The Government of Nicaragua agrees that the Government of the United States shall be credited with and receive the share of Nicaragua in the net revenues of the canal to be applied to the payment of this loan until it shall have been entirely extinguished with the interest thereon at three per centum per annum from the dates when the several sums shall be received by Nicaragua, and the Republic of Nicaragua may vote yearly through its Congress an additional sum from the gen-

eral revenues of the Republic to be applied to the payment of this loan and to aid in its speedy extinguishment.

And further, the Government of Nicaragua, assuming the repayment of said loan, binds itself to consider it, until extinguished, together with the interest thereon as hereinbefore provided, as a lien upon all rights of Nicaragua in the canal, its accessories and appliances, this lien to continue until the repayment of the sum so advanced with the interest; but the repayment is not to be exacted until ten years after the said canal shall have been completed and opened to commerce.

ARTICLE XXIV. Neither of the parties to this convention shall sell, assign, or otherwise alienate or suffer itself to be deprived of, its, or any part of its, interest, right, or property in or to the said canal, railway or telegraph line, should the same be built, or their or any other adjuncts or accessories or any of the works or establishments pertaining thereto without the consent of the other manifested by legislative enactment.

ARTICLE XXV. This treaty is concluded subject to ratification by the proper constitutional authority of each party hereto and to the legislation by the appropriate legislative bodies of each which is necessary to carry it into effect. It shall be ratified as soon as possible, but within two years from its date, and the ratifications thereof shall be exchanged in the city of Washington within six months from the approval by the said legislative bodies of Nicaragua and of the United States of the present treaty.

In testimony whereof, the undersigned Plenipotentiaries have hereunto affixed their hands and seals.

Done in duplicate, in the English and Spanish languages, in Washington this 1st day of December in the year of our Lord one thousand eight hundred and eighty-four.

FRED'K T. FRELINGHUYSEN. [SEAL.]
JOAQ'N ZAVALA. [SEAL.]

BY THE PRESIDENT OF THE UNITED STATES OF AMERICA.

A PROCLAMATION.

Whereas a treaty of friendship, commerce, and navigation, between the United States of America and the Republic of Nicaragua, was concluded and signed by their respective plenipotentiaries, at the city of Managua, on the twenty-first day of June, in the year of our Lord one thousand eight hundred and sixty-seven, which treaty, being in the English and Spanish languages, is word for word as follows:

TREATY OF FRIENDSHIP, COMMERCE, AND NAVIGATION, BETWEEN THE UNITED STATES OF AMERICA AND THE REPUBLIC OF NICARAGUA.

The United States of America and the Republic of Nicaragua desiring to maintain and to improve the good understanding and the friendly relations which now happily exist between them, to promote the commerce of their citizens, and to make some mutual arrangement with respect to a communication between the Atlantic and Pacific oceans, by the river San Juan, and either or both the lakes of Nicaragua and Managau, or by any other route through the territories of Nicaragua, have agreed for this purpose to conclude a treaty of friendship, commerce, and navigation, and have accordingly named as their respective

plenipotentiaries, that is to say : the President of the United States, Andrew B. Dickinson, minister resident and extraordinary to Nicaragua, and his excellency the President of the Republic of Nicaragua, Señor Licenciado Don Tomas Ayon, minister of foreign relations, who, after communicating to each other their full powers, found in due and proper form, have agreed upon the following articles :

ARTICLE I.

There shall be perpetual amity between the United States and their citizens on the one part, and the government of the Republic of Nicaragua and its citizens of the other.

ARTICLE II.

There shall be between all the territories of the United States and the territories of the Republic of Nicaragua a reciprocal freedom of commerce. The subjects and citizens of the two countries, respectively, shall have full liberty freely and securely to come with their ships and cargoes to all places, ports, and rivers in the territories aforesaid to which other foreigners are or may be permitted to come, to enter into the same, and to remain and reside in any part thereof, respectively; also to hire and occupy houses and warehouses for the purposes of their commerce; and generally the merchants and traders of each nation, respectively, shall enjoy the most complete protection and security for their commerce, subject always to the laws and statutes of the two countries, respectively. In like manner the respective ships of war and post-office packets of the two countries shall have liberty freely and securely to come to all harbors, rivers, and places to which other foreign ships of war and packets are or may be permitted to come, to enter the same, to anchor, and to remain there and refit, subject always to the laws and statutes of the two countries, respectively.

By the right of entering places, ports, and rivers, mentioned in this article, the privilege of carrying on the coasting trade is not understood; in which trade national vessels only of the country where the trade is carried on are permitted to engage.

ARTICLE III.

It being the intention of the two high contracting parties to bind themselves by the two preceding articles to treat each other on the footing of the most favored nations, it is hereby agreed between them that any favor, privilege, or immunity whatever, in matters of commerce and navigation, which either contracting party has actually granted, or may grant hereafter, to the subjects or citizens of any other State, shall be extended to the subjects or citizens of the other contracting party gratuitously, if the concession in favor of that other nation shall have been gratuitous, or in return for a compensation, as nearly as possible of a proportionate value and effect, to be adjusted by mutual agreement, if the concession shall have been conditional.

ARTICLE IV.

No higher or other duties shall be imposed on the importation into the territories of the United States of any article being the growth, produce, or manufacture of the republic of Nicaragua, and no higher

or other duties shall be imposed on the importation into the territories of the republic of Nicaragua of any article being the growth, produce, or manufacture of the United States, than are or shall be payable upon the like articles being the growth, produce, or manufacture of any other foreign country; nor shall any other or higher duties or charges be imposed in the territories of either of the high contracting parties on the exportation of any articles to the territories of the other than such as are or may be payable on the exportation of the like articles to any other foreign country; nor shall any prohibition be imposed upon the importation or exportation of any articles the growth, produce, or manufacture of the territories of the United States or the republic of Nicaragua to or from the said territories of the United States, or to or from the republic of Nicaragua, which shall not equally extend to all other nations.

ARTICLE V.

No higher or other duties or payments on account of tonnage, of light or harbor dues, or pilotage, of salvage in case of either damage or shipwreck, or on account of any local charges, shall be imposed in any of the ports of Nicaragua on vessels of the United States than those payable by Nicaraguan vessels, nor in any of the ports of the United States on Nicaraguan vessels than shall be payable in the same ports on vessels of the United States.

ARTICLE VI.

The same duties shall be paid on the importation into the territories of the republic of Nicaragua of any article being the growth, produce, or manufacture of the territories of the United States, whether such importation shall be made in Nicaraguan vessels or in the vessels of the United States; and the same duties shall be paid on the importation into the territories of the United States of any article being the growth, produce, or manufacture of the republic of Nicaragua, whether such importation shall be made in Nicaraguan or United States vessels. The same duties shall be paid, and the same bounties and drawbacks allowed, on the exportation to the republic of Nicaragua of any article being the growth, produce, or manufacture of the territories of the United States, whether such exportation shall be made in Nicaraguan or United States vessels; and the same duties shall be paid, and the same bounties and drawbacks allowed, on the exportation of any articles being the growth, produce, or manufacture of the republic of Nicaragua to the territories of the United States, whether such exportations shall be made in the vessels of the United States or of Nicaragua.

ARTICLE VII.

All merchants, commanders of ships, and others, citizens of the United States, shall have full liberty in all the territories of the republic of Nicaragua to manage their own affairs themselves, as permitted by the laws, or to commit them to the management of whomsoever they please, as broker, factor, agent, or interpreter; nor shall they be obliged to employ any other persons in those capacities than those employed by Nicaraguans, nor pay them any other salary or remuneration than such as is paid in like cases by Nicaraguan citizens; and absolute freedom shall be allowed in all cases to the buyer and seller to bargain and fix the price of any goods, wares, or merchandise imported into or exported

from the republic of Nicaragua as they shall see good, observing the laws and established custom of the country.

The same privileges shall be enjoyed in the territories of the United States by the citizens of the republic of Nicaragua under the same conditions.

The citizens of the high contracting parties shall reciprocally receive and enjoy full and perfect protection for their persons and property, and shall have free and open access to the courts of justice in said country, respectively, for the prosecution and defense of their just rights; and they shall be a liberty to employ, in all cases, advocates, attorneys, or agents, of whatsoever description, whom they may think proper; and they shall enjoy, in this respect, the same rights and privileges therein as native citizens.

ARTICLE VIII.

In whatever relates to the police of the ports, the lading and unlading of ships, the safety of merchandise, goods, and effects, the succession to personal estates, by will or otherwise, and the disposal of personal property of every sort and denomination, by sale, donation, exchange, testament, or any other manner whatsoever, as also the administration of justice, the citizens of the two high contracting parties shall reciprocally enjoy the same privileges, liberties, and rights as native citizens; and they shall not be charged in any of these respects with any higher imposts or duties than those which are or may be paid by native citizens, submitting, of course, to the local laws and regulations of each country, respectively.

The foregoing provisions shall be applicable to real estate situated within the States of the American Union, or within the republic of Nicaragua, in which foreigners shall be entitled to hold or inherit real estate. But in case real estate situated within the territories of one of the contracting parties should fall to a citizen of the other party, who, on account of his being an alien, could not be permitted to hold such property in the State in which it may be situated, there shall be accorded to the said heir, or other successor, such time as the laws of the State will permit to sell such property. He shall be at liberty, at all times, to withdraw and export the proceeds thereof without difficulty, and without paying to the government any other charges than those which would be paid by an inhabitant of the country in which the real estate may be situated.

If any citizen of the two high contracting parties shall die without a will or testament in any of the territories of the other, the minister or consul, or other diplomatic agent, of the nation to which the deceased belonged (or the representative of such minister or consul, or other diplomatic agent, in case of absence), shall have the right to nominate curators to take charge of the property of the deceased, so far as the laws of the country will permit, for the benefit of the lawful heirs and creditors of the deceased, giving proper notice of such nomination to the authorities of the country.

ARTICLE IX.

1. The citizens of the United States residing in Nicaragua, or the citizens of Nicaragua residing in the United States, may intermarry with the natives of the country; hold and possess, by purchase, marriage, or descent, any estate, real or personal, without thereby changing

their national character, subject to the laws which now exist or may be enacted in this respect.

2. The citizens of the United States residents in the Republic of Nicaragua, and the citizens of Nicaragua residents in the United States, shall be exempted from all forced or compulsory military service whatsoever, by land or sea; from all contributions of war, military exactions, forced loans in time of war; but they shall be obliged, in the same manner as the citizens of each nation, to pay lawful taxes, municipal and other modes of imposts, and ordinary charges, loans, and contributions in time of peace (as the citizens of the country are liable), in just proportion to the property owned.

3. Nor shall the property of either, of any kind, be taken for any public object without full and just compensation to be paid in advance; and

4. The citizens of the two high contracting parties shall have the unlimited right to go to any part of the territories of the other, and in all cases enjoy the same security as the natives of the country where they reside, with the condition that they duly observe the laws and ordinances.

ARTICLE X.

It shall be free for each of the two high contracting parties to appoint consuls for the protection of trade, to reside in any of the territories of the other party. But before any consul shall act as such he shall, in the usual form, be approved and admitted by the government to which he is sent; and either of the high contracting parties may except from the residence of consuls such particular places as they judge fit to be excepted.

The diplomatic agents of Nicaragua and consuls shall enjoy in the territories of the United States whatever privileges, exemptions, and immunities are or shall be allowed to the agents of the same rank belonging to the most favored nations; and in the like manner the diplomatic agents and consuls of the United States in Nicaragua shall enjoy, according to the strictest reciprocity, whatever privileges, exemptions, and immunities are or may be granted in the Republic of Nicaragua to the diplomatic agents and consuls of the most favored nations.

ARTICLE XI.

For the better security of commerce between the citizens of the United States and the citizens of Nicaragua, it is agreed, that if at any time any interruption of friendly intercourse, or any rupture, should unfortunately take place between the two high contracting parties, the citizens of either, who may be within the territories of the other, shall, if residing on the coast, be allowed six months, and if in the interior, a whole year, to wind up their accounts, and dispose of their property; and a safe-conduct shall be given to them to embark at any port they themselves may select. Even in case of rupture, all such citizens of either of the high contracting parties, who are established in any of the territories of the other in trade or other employment, shall have the privilege of remaining and of continuing such trade or employment, without any manner of interruption, in the full enjoyment of liberty and property, so long as they behave peacefully, and commit no offence against the laws; and their goods and effects, of whatever description they may be, whether in their own custody, or intrusted to individuals

or to the State, shall not be liable to seizure or sequestration, nor to any other charges or demands than those which may be made upon the like effects or property belonging to the native citizens of the country in which such citizens may reside. In the same case, debts between individuals, property in public funds, and shares of companies, shall never be confiscated, nor detained, nor sequestered.

ARTICLE XII.

The citizens of the United States and the citizens of the Republic of Nicaragua, respectively, residing in any of the territories of the other party, shall enjoy in their houses, persons, and property, the protection of the Government, and shall continue in possession of the guarantees which they now enjoy. They shall not be disturbed, molested, or annoyed in any manner on account of their religious belief, nor in the proper exercise of their religion, agreeably to the system of tolerance established in the territories of the high contracting parties, provided they respect the religion of the nation in which they reside, as well as the constitution, laws, and customs of the country.

Liberty shall also be granted to bury the citizens of either of the two high contracting parties, who may die in the territories aforesaid, in burial places of their own, which in the same manner may be freely established and maintained; nor shall the funerals or sepulchres of the dead be disturbed in any way or upon any account.

ARTICLE XIII.

Whenever a citizen of either of the contracting parties shall be forced to seek refuge or asylum in the rivers, bays, ports, or dominions of the other with their vessels, whether merchant or war, public or private, through stress of weather, pursuit of pirates or enemies, or want of provisions or water, they shall be received and treated with humanity, and given all favor and protection for repairing their vessels, procuring provisions, and placing themselves in all respects in a condition to continue their voyage without obstacle of any kind.

ARTICLE XIV.

The Republic of Nicaragua hereby grants to the United States, and to their citizens and property, the right of transit between the Atlantic and Pacific oceans through the territory of that Republic, on any route of communication, natural or artificial, whether by land or by water, which may now or hereafter exist or be constructed under the authority of Nicaragua, to be used and enjoyed in the same manner and upon equal terms by both Republics and their respective citizens, the Republic of Nicaragua, however, reserving its rights of sovereignty over the same.

ARTICLE XV.

The United States hereby agree to extend their protection to all such routes of communication as aforesaid, and to guarantee the neutrality and innocent use of the same. They also agree to employ their influence with other nations to induce them to guarantee such neutrality and protection.

And the Republic of Nicaragua, on its part, undertakes to establish one free port at each extremity of one of the aforesaid routes of com-

munication between the Atlantic and Pacific oceans. At these ports no tonnage or other duties shall be imposed or levied by the Government of Nicaragua on the vessels of the United States, or on any effects or merchandise belonging to citizens or subjects of the United States, or upon the vessels or effects of any other country intended, bona fide, for transit across the said routes of communication, and not for consumption within the Republic of Nicaragua. The United States shall also be at liberty, on giving notice to the Government or authorities of Nicaragua, to carry troops and munitions of war in their own vessels, or otherwise, to either of said free ports, and shall be entitled to their conveyance between them without obstruction by said Government or authorities, and without any charges or tolls whatever for their transportation on either of said routes: *Provided*, Said troops and munitions of war are not intended to be employed against Central American nations friendly to Nicaragua. And no higher or other charges or tolls shall be imposed on the conveyance or transit of persons and property of citizens or subjects of the United States, or of any other country, across the said routes of communication, than are or may be imposed on the persons and property of citizens of Nicaragua.

And the Republic of Nicaragua concedes the right of the Postmaster-General of the United States to enter into contracts with any individuals or companies to transport the mails of the United States along the said routes of communication, or along any other routes across the isthmus, in its discretion, in closed bags, the contents of which may not be intended for distribution within the said Republic, free from the imposition of all taxes or duties by the Government of Nicaragua; but this liberty is not to be construed so as to permit such individuals or companies, by virtue of this right to transport the mails, to carry also passengers or freight.

ARTICLE XVI.

The Republic of Nicaragua agrees that, should it become necessary at any time to employ military forces for the security and protection of persons and property passing over any of the routes aforesaid, it will employ the requisite force for that purpose; but upon failure to do this from any cause whatever, the Government of the United States may, with the consent or at the request of the Government of Nicaragua, or of the minister thereof at Washington, or of the competent legally appointed local authorities, civil or military, employ such force for this and for no other purpose; and when, in the opinion of the Government of Nicaragua, the necessity ceases, such force shall be immediately withdrawn.

In the exceptional case, however, of unforeseen or imminent danger to the lives or property of citizens of the United States, the forces of said Republic are authorized to act for their protection without such consent having been previously obtained.

But no duty or power imposed upon or conceded to the United States by the provisions of this article shall be performed or exercised except by authority and in pursuance of laws of Congress hereafter enacted. It being understood that such laws shall not affect the protection and guarantee of the neutrality of the routes of transit, nor the obligation to withdraw the troops which may be disembarked in Nicaragua directly that, in the judgment of the Government of the Republic, they should no longer be necessary, nor in any manner bring about new obligations on Nicaragua, nor alter her rights in virtue of the present treaty.

ARTICLE XVII.

It is understood, however, that the United States, in according protection to such routes of communication, and guaranteeing their neutrality and security, always intend that the protection and guarantee are granted conditionally, and may be withdrawn if the United States should deem that the persons or company undertaking or managing the same adopt or establish such regulations concerning the traffic thereupon as are contrary to the spirit and intention of this treaty, either by making unfair discriminations in favor of the commerce of any country or countries over the commerce of any other country or countries, or by imposing oppressive exactions or unreasonable tolls upon mails, passengers, vessels, goods, wares, merchandise, or other articles. The aforesaid protection and guarantee shall not, however, be withdrawn by the United States without first giving six months' notice to the Republic of Nicaragua.

ARTICLE XVIII.

And it is further agreed and understood that in any grants or contracts which may hereafter be made or entered into by the Government of Nicaragua, having reference to the interoceanic routes above referred to, or either of them, the rights and privileges granted by this treaty to the Government and citizens of the United States shall be fully protected and reserved. And if any such grants or contracts now exist, of a valid character, it is further understood that the guarantee and protection of the United States, stipulated in Article XV of this treaty, shall be held inoperative and void until the holders of such grants and contracts shall recognize the concessions made in this treaty to the Government and citizens of the United States with respect to such interoceanic routes, or either of them, and shall agree to observe and be governed by these concessions as fully as if they had been embraced in their original grants or contracts; after which recognition and agreement said guarantee and protection shall be in full force: provided, that nothing herein contained shall be construed either to affirm or to deny the validity of the said contracts.

ARTICLE XIX.

After ten years from the completion of a railroad, or any other route of communication through the territory of Nicaragua from the Atlantic to the Pacific ocean, no company which may have constructed or be in possession of the same shall ever divide, directly or indirectly, by the issue of new stock, the payment of dividends or otherwise, more than fifteen per cent per annum, or at that rate, to its stockholders from tolls collected thereupon; but whenever the tolls shall be found to yield a larger profit than this, they shall be reduced to the standard of fifteen per cent per annum.

ARTICLE XX.

The two high contracting parties, desiring to make this treaty as durable as possible, agree that this treaty shall remain in full force for the term of fifteen years from the day of the exchange of the ratifications; and either party shall have the right to notify the other of its intention to terminate, alter, or reform this treaty, at least twelve months before the expiration of the fifteen years. If no such notice be given,

then this treaty shall continue binding beyond the said time, and until twelve months shall have elapsed from the day on which one of the parties shall notify the other of its intention to alter, reform, or abrogate this treaty.

ARTICLE XXI.

The present treaty shall be ratified, and the ratifications exchanged at the city of Managua, within one year, or sooner if possible.

In faith whereof the respective plenipotentiaries have signed the same and affixed thereto their respective seals.

Done at the city of Managua this twenty-first day of June, in the year of our Lord one thousand eight hundred and sixty-seven.

A. B. DICKINSON. [L. S.]
TOMAS AYON. [L. S.]

And whereas the said treaty has been duly ratified on both parts, and the respective ratifications of the same were exchanged at the city of Granada on the twentieth day of June last:

Now, therefore, be it known that I, Andrew Johnson, President of the United States of America, have caused the said treaty to be made public, to the end that the same, and every clause and article thereof, may be observed and fulfilled with good faith by the United States and the citizens thereof.

In witness whereof I have hereunto set my hand and caused the seal of the United States to be affixed.

Done at the city of Washington this thirteenth day of August, in the year of our Lord one thousand eight hundred and sixty-eight, and of the independence of the United States of America the ninety-third.

[SEAL.]

ANDREW JOHNSON.

By the President:

W. HUNTER,
Acting Secretary of State.

CONCESSION AND DECREES OF THE REPUBLIC OF NICARAGUA
TO THE NICARAGUA CANAL ASSOCIATION OF NEW YORK.

The President of the Republic to the inhabitants thereof:

Know ye that Congress has ordered as follows:

The senate and chamber of deputies of the Republic of Nicaragua do hereby decree—

ONLY ARTICLE.—The contract for a maritime interoceanic canal entered into the 23d of March. ult., between Dr. Adan Cárdenas, commissioned especially by the supreme government, and Mr. A. G. Menocal, member and representative of the Nicaragua Canal Association organized in New York, is hereby ratified. This contract shall be a law of the Republic if Mr. Menocal accepts it as soon as he be notified, with the following modifications and upon the following terms:

The undersigned, Adan Cárdenas, commissioner of the Government of the Republic, party of the first part, and Aniceto G. Menocal, representative of the Nicaragua Canal Association, party of the second part, both having sufficient powers, have entered into the following contract

for the excavation of an interoceanic canal through the territory of Nicaragua:

ARTICLE I.

The Republic of Nicaragua grants the aforesaid Nicaragua Canal Association, and Mr. A. G. Menocal, representative of the said association, accepts on its behalf, for the purposes set forth in article 7, the exclusive privilege to excavate and operate a maritime canal across its territory, between the Atlantic and Pacific oceans.

ARTICLE II.

The canal shall be of sufficient dimensions for the free and commodious passage of vessels of the same size as the large steamers used for ocean navigation in Europe and America, provided that no locks used in said work shall be less than five hundred and fifty (550) feet in length and thirty feet in depth.

ARTICLE III.

The state declares this work to be one of public utility.

ARTICLE IV.

The duration of the present privilege shall be for ninety-nine (99) years, to be counted from the day the canal shall be opened to universal traffic. During the aforesaid period the company shall have the right to construct and operate a railway along the whole extent of the canal, or those parts of the same that may be considered convenient for the better service and operation of the said work.

ARTICLE V.

The State binds itself not to make any subsequent concession for the opening of a canal between the two oceans during the term of the present concession, and also to abstain from granting a concession for a railroad, such as might compete with the canal for the transportation of merchandise, during the same period; but nothing in this article shall prevent the Government of Nicaragua from constructing or permitting the construction of such railways as it may deem advisable for commerce and internal traffic. Said Government also to have the right to construct or permit the construction of an interoceanic railway if in course of time it be demonstrated that the canal is not sufficient to satisfy the demands of the traffic of all nations.

The grantee company shall have the right to establish such telegraph lines as it may deem necessary for the construction, management, and operation of the canal. The Government shall have the right to occupy these lines for the public service without any remuneration to the company.

ARTICLE VI.

The Government of the Republic declares, during the term of this concession, the ports of each extremity of the canal, and the canal itself, from sea to sea to be neutral, and that consequently the transit through the canal in case of war between two powers or between one or more and Nicaragua shall not be interrupted for such cause; and

that merchant vessels and individuals of all nations of the world may freely enter the ports and pass through the canal without molestation or detention.

In general, all vessels may pass through the canal freely, without distinction, exclusion, or preference of persons or nationality, provided they pay the dues and observe the regulations established by the grantee company for the use of the said canal and its dependencies. The transit of foreign troops and vessels of war will be subjected to the prescriptions relating to the same established by treaties between Nicaragua and other powers or by international law. But entrance to the canal will be rigorously prohibited to vessels of war of such powers as may be at war with Nicaragua or with any other of the Central American Republics.

Nicaragua will endeavor to obtain from the powers that are to guarantee the neutrality that in the treaties that shall be made for that purpose they shall agree also to guarantee a zone of land parallel to the canal and also a maritime zone in both oceans, the dimensions of which will be determined in such treaties.

ARTICLE VII.

This present agreement, with all its charges and advantages, shall be the object of a company of execution in agreement with Articles I, X, and those following thereafter.

Said company shall be the grantee, and whenever said name is used in this present contract, reference is made to it.

ARTICLE VIII.

The present concession is transferable only to such company of execution as shall be organized by the Nicaragua Canal Association, and in no case to governments or to foreign public powers. Nor shall the company cede to any foreign government any part of the lands granted to it by this contract; but it may make transfers to private parties under the same restriction.

The Republic of Nicaragua cannot transfer its rights or shares by selling them to any government.

ARTICLE IX.

The people of all nations shall be invited to contribute the necessary capital to the enterprise, and it shall be sufficient for the fulfillment of this requirement to publish an advertisement for thirty (30) consecutive days in one of the principal daily papers of each of the cities New York, London, and Paris.

The capital stock of the final company shall be composed of shares, bonds, or obligations of any other kind, in such proportion as it may deem convenient. The issue and transfer of these obligations shall be exempt from stamp dues and from any other imposts or taxes established or that may be hereafter established in the Republic.

Of the capital with which the company shall organize, and which it proposes to distribute among the different countries interested in the enterprise, there shall be reserved at least five (5) per cent for the Central American Government and citizens that may desire to subscribe.

As soon as the company is ready to open subscription books it shall advise the Government of Nicaragua, which will invite the other gov-

ernments and through them private parties to subscribe. All such shares not taken within six months following the date on which the Government shall have been advised of that circumstance shall remain subject to the free disposition of the company.

ARTICLE X.

The company shall be organized in the manner and under the conditions generally adopted for such companies. Its principal office shall be in New York, or where it may be deemed most convenient, and it may have branch offices in the different countries of Europe and America, where it may consider it expedient.

Its name shall be the "Maritime Canal Company of Nicaragua," and its board of directors shall be composed of persons, one-half at least, of them shall be chosen from the promoters who may yet preserve their quality as such.

ARTICLE XI.

The Government of Nicaragua in its character of shareholder in the company of execution, as hereinafter provided, shall have the perpetual right of naming one director, who shall be an integral part of the board of directors of the company, with all the rights, privileges, and advantages conferred upon them by the statutes of the company and the laws of the country under which it shall organize.

The Government shall also have the right in its aforesaid capacity of shareholder to take part in such elections as the company may hold.

ARTICLE XII.

The company is bound to keep a representative in Nicaragua vested with all powers necessary for the proper conduct of the service and for the transaction of its business with the Government.

ARTICLE XIII.

The canal will follow the valley of the river San Juan to Lake Nicaragua, through which will be designated the most convenient route for communication with the Pacific Ocean. In any event the company shall have the most ample freedom to select the route which it considers most convenient between the two oceans for the excavation of the canal and its dependencies and its ports, particularly those serving for entrance and exit on both oceans. The company shall have the same liberty to adopt the route which may be deemed most advantageous and economical for the construction of the canal, after the final survey by a commission of competent engineers.

However, should the company, after the survey of the river San Juan, find it necessary to abandon, in any place, the bed of the river, and cut a lateral canal, the Government of Nicaragua reserves the right of requiring from the company the duty of establishing a communication between the part of the San Juan not used for canal purposes and the dividing level of the canal, by means of a lock, or a series of locks, suitable for the navigation of ships of six feet draft. As soon as the final plans are adopted and laid before the Government, it shall notify the company within one month after their receipt whether or not they meet with its approval, in order that the company may proceed in accordance therewith. It is understood that this duty does not in any manner

compel the company to place or maintain in navigable condition for small craft the lower part of the river which these locks may be intended to place in communication with the canal.

ARTICLE XIV.

Within three years, to be counted from the commencement of the work upon the Interoceanic Canal, the company shall, at its own expense, construct a navigable canal between Lake Managua and the navigable part of the Tipitapa River, near Pasquier, of sufficient dimensions to admit of the free passage of vessels drawing six feet and of 150 feet in length. When completed this canal shall be taken possession by the Government of Nicaragua, and will be, after that date, the property of the Republic, which, by virtue of its ownership, shall be bound to bear all expenses required in the future for the service, maintenance, repair, and operation of the canal. But the company shall have the right to make use of it for all purposes useful for the maritime canal enterprise, and to pass through it freely with its vessels and those belonging to contractors employed in the service of the Interoceanic Canal during the term of this concession, without being subject to any charge whatever, or to pay tolls or contributions of any kind to the Government of Nicaragua or to any person or company that may, through any cause, be in charge of the administration and operation of the work and its dependencies.

The Government of Nicaragua will place at the disposal of the company, free of all expenses and charges, all the lands that may be required, as well as the materials found thereon, or on those belonging to the Government and that may be utilized by the company in the execution of this work.

ARTICLE XV.

All expenditures for surveys, construction, maintenance, and operation of the Interoceanic Maritime Canal shall be borne by the concessionary company, without any subvention in money nor guaranty of interest on the part of the Republic, nor other concessions than those specified in the present agreement.

ARTICLE XVI.

The company shall construct at its expense and maintain in good condition two large ports, one in the Atlantic and one in the Pacific, to serve as termini of the canal, each of them to have a lighthouse of the first order. It shall also construct at the two points on the borders of the lake, where the canal disembogues, two ports of lesser size, with the respective lighthouses.

The company is also obliged to maintain and improve said ports by means of dredges, dikes, piers, embankments, or any other works it may deem advisable, having always in view the good service of the traffic through the canal.

It may, for this purpose, select on the coasts of the two oceans, within the territory of Nicaragua, the localities which the surveys made indicate as preferable.

ARTICLE XVII.

All the space necessary, whether on the mainland, in the lake and its islands, at the ports, roadsteads, or rivers of the two oceans, for the establishment of the canal, its paths, and embankments, for deposit-

ing the materials from the excavations and cuttings for the necessary spaces to be occupied by water after raising the dams which are to be constructed in the bed of the river, for all necessary deviations of streams, as well as for reservoirs, dikes, spaces about the locks, stations, lights and beacons, storehouses, buildings and workshops, deposits for materials, and also all those spaces necessary for the routes, service railways, and canals of the same nature for the transportation of the materials to the line of the work and for feeders for the canal; in short, all lands and places necessary to the construction and operation of the canal, as laid down in the drawings and plans made by the engineers of the company, shall be placed at the disposal of the company by the State, under the conditions set forth in the following articles.

ARTICLE XVIII.

Said lands belonging to the State will be given to the company without any compensation whatever; and, with regard to those belonging to private parties, the State charges itself with their expropriation if the company so requests. The compensation which may be required in this case shall be paid by the company.

ARTICLE XIX.

In all relating to the appropriation that may be made in conformity with the preceding article, the company shall enjoy all the immunities and privileges which the laws of the country accords to the State; so that in no case shall the company be obliged to pay more than the State would under similar circumstances.

ARTICLE XX.

The Government obliges itself to place the company, within six months after its request, in possession of up to one thousand (1,000) manzanas of land between the lake and the Pacific, at such places as the company shall designate, but they are to serve exclusively for cutting the canal, its havens, ports, and other accessory works. The Government shall on its own account cause the necessary expropriation to be made, and the company shall pay to it for all indemnity the sum of fifty thousand dollars (\$50,000.00) American gold. This payment to be made by the company in Managua within four months after the date of its request.

ARTICLE XXI.

The company shall have the right to take, free of charge, from the public lands, for the purpose of construction, operation, and maintenance of the canal, whatever materials may be found on them, especially timber for construction and for fuel, the lime, stone, clay for bricks, and earth for fillings as may be necessary. As regards materials found on private lands, the company shall pay for what it may need thereof, enjoying in this respect the same rights and privileges which the State enjoys according to law.

ARTICLE XXII.

Should the company require to occupy, temporarily and during the construction of the canal, lands in the territory of Nicaragua which are not included in those designated in articles 17, 18, and 21, it shall not

be obliged to pay any indemnity for them if they are public lands; and the State shall not have the right to sell or dispose of them in any other manner after the company has determined to occupy them, unless under the reservation of this right, whose limit shall be the completion of the works on the interoceanic canal. Should the lands belong to private parties the company shall enjoy, in regard to their temporary occupation, all the rights and privileges which the law accords to the State, with the special privilege of occupying them immediately after the declaration of necessity and utility, and after paying the compensation, which shall not exceed that which the State should be compelled to pay in a similar case.

ARTICLE XXIII.

The Republic of Nicaragua, desiring to assist the company efficaciously in the construction of the interoceanic canal, a work in which it takes the deepest interest, cedes in fee simple to the said company the public lands hereinafter mentioned in alternate lots with other similar ones which it reserves to itself, and of the dimensions and in the places as specified hereinafter:

1st. On the left bank of the river San Juan, from the Atlantic to Castillo Viejo, lots of three miles frontage on the canal and six miles in depth from the banks of the river. Where the canal diverges more than six miles from the banks of the river the lots are to be measured on both sides of it, and shall be three miles wide and six miles deep. And where this distance is less than six miles the lots shall be three miles front and three miles deep, and they shall be measured from the bank of the canal to the river, taking what may be lacking from the opposite bank of the canal.

2d. Three miles distance from Castillo up stream, on the right bank and up to the lake, lots of two miles in depth and two of frontage on the canal. From the lake along its south shore to the river Sapoá and thence to the river Lajas, lots of one mile frontage and one mile depth. On the left bank of the river from a point in front of Castillo and up to the lake, lots of three miles of frontage on the canal and four miles in depth.

3d. On the north shore of the lake, as far as the river Tule, lots of two miles frontage on the lake and two miles deep.

4th. In the places which the company selects in accordance with the government of the existing public lands, forty (40) lots, each four miles frontage by five miles deep, reserving always the acquired rights.

It is understood that the Government reserves around each of the forts Castillo and San Carlos the lands included in a circle of one and one-half ($1\frac{1}{2}$) miles radius, whose center shall be the respective fortresses.

As a general rule, at the extremities of the interoceanic canal and at its points of contact with the lake, the opposite lots will be allotted one to the Government and one to the company, but if this be not possible the first will belong to the Government.

From the Atlantic to the lake that part of the river bed occupied by the canal shall be considered as part of the latter for all purposes of this article.

The measurement and setting out of all lands ceded by this contract shall be made at the expense of the grantees under the supervision of the Government.

The State shall vest in the company the possession of said lands so soon as the said company shall begin operations on the canal. Opera-

tions shall be regarded as begun when the provisions set forth in article 47 shall have been complied with. The final title deeds shall not be granted except as the work of the canal progresses and in due proportion.

ARTICLE XXIV.

In the unforeseen case that a new survey should show the necessity of adopting another line for the construction of the canal which varies wholly or in part from the line set forth in article 13, the company shall have the right to the lands and other elements necessary for the construction of the canal, according to articles 16, 17, 18, 19, 21, and 22.

The company shall, in that event, also have the right to the lands mentioned in the preceding article, in the same proportions, conditions, and dimensions therein established, with the single proviso that if it alter the line the localities whence these lands shall be taken shall be altered accordingly.

ARTICLE XXV.

The State reserves the right to occupy, in the several lots of land granted the company, such places as it may need for such roads and public buildings as it may deem convenient. In the same manner it may use timber and other building materials found on such lands whenever they may be necessary for any work upon which it may determine. However, these lands with all their products, vegetable and mineral, shall be subject to the laws of the country so soon as they become the property of individual citizens by transfer from the company, and then, should the State need them for the ends set forth in this article, or for any others, it shall make compensation to their owners according to law, without any right on the part of the expropriated owners to reclaim against the company.

Should the company have improved the lands so taken for purposes of use, ornament, or pleasure, the State shall be bound to reimburse it for such damages as it may have suffered, according to the assessment of experts.

ARTICLE XXVI.

Mines of coal, stone, gold, silver, iron, or other metals situated in the lands granted to the company shall belong to it by right, without need of previous "denunciation," it having the right to work them when considered expedient, subject to the laws of the country.

ARTICLE XXVII.

The company shall also have the right to utilize for its account, for sale or exportation, the lumber in the forests situated in the lands ceded to it by the State from the time they enter into possession of them in accordance with this contract; that is, from the time of commencement of the works, always saving the acquired rights.

ARTICLE XXVIII.

From the day on which the present concession is ratified by Congress the public lands included in those necessary for the construction of the canal can not be sold, nor can any of those ceded to the company on the banks of the canal by article 23. Nor can they be leased to the prejudice of the company.

ARTICLE XXIX.

The company shall have the right, throughout the extent of the canal as well as at its mouth on both oceans, and in the lake and throughout the extent of the lands ceded by virtue of articles 16, 17, 22, and 23, to enter upon the work of locating, leveling, excavating, dredging, and in general any other work of whatsoever nature that may be judged useful for the establishment and feeding of the canal, or for its operation, preservation, and maintenance. The company is specially authorized to execute along the canal line and on the banks of the river San Juan and its affluents, within the territory of Nicaragua, and also on the tributaries of Lake Nicaragua, the lakes or water courses which can be utilized in their flow to the Pacific, the system of dikes, rectifications, dredgings, embankments, dams, cuts, location of buoys, and in general all the works that in the opinions of the engineers of the company are deemed indispensable for the construction, feeding, navigation, and operation of the canal. The company may also do all works of like character deemed necessary at the entrances of the canal into Lake Nicaragua, as well as in the lake itself, in accordance with the route that may be determined upon in order to secure in it easy navigation, and as may be found necessary in the other lakes or lagoons that are to be traversed.

The embankments, fillings, and dikes formed in the mouths of the canal in the lake and in the ports on the oceans, by deposits of materials resulting from the excavations of the canal, shall belong in fee simple to the company; the Government having the right to use them if necessary, after compensation made. But it may never obstruct said ports nor widen the beaches in front of them, unless there is absolute necessity to do so, and in this case the embankments and fillings that it may be necessary to construct in front of the ports shall belong to the Republic.

In general the company shall have the right to use all the lakes and rivers of Nicaragua, the waters of which may be necessary, in the judgment of the engineers of the company, for the construction and supply of the canal and for maintaining its operations. It being understood that the damages caused to private parties by the deviation of the water courses shall be compensated for by the company according to a just assessment by experts in agreement with the laws of the Republic.

ARTICLE XXX.

The company shall not import merchandise into the territory of the Republic for the purpose of trafficking without paying the import duties established by law. But it may import free of custom duties, and of any tax whatsoever, the articles needed for the works of the enterprise, such as surveys, examination of localities, construction, use, operation, maintenance, repairs, and improvements of the canal; for the telegraphic service, and for that of the railways; for running the workshops the company may keep in operation; and such articles may consist of tools, machinery, apparatus, coal, limestone of all classes, lime, iron, and other metals, raw or manufactured, mining powder, dynamite, or any other analogous substance. These articles may be transported between whatever points they may be required during the works of opening of the canal, and be discharged and stored free of all local taxes.

The company may import free of duties and taxes, during the work on the canal, provisions and medicines absolutely necessary for its own

consumption. Goods, the commerce of which is not free, are excepted from the privileges contained in this article, which goods, excepting powder, dynamite, and other explosives, remain subject to the requisites and duties prescribed by the laws.

ARTICLE XXXI.

The vessels employed by the company as tugboats or for the service of the canal shall be free from all duties and also the materials for their repair and the fuel they use. The vessels and appurtenances from whatever place they may be coming for the use of the company shall also be exempt from all duties.

ARTICLE XXXII.

The Government will establish such regulations as it may judge necessary to prevent smuggling and to maintain public order in the region of the canal.

The company is bound to lend its assistance for the enforcement of such regulations. But in the free zone along the margin of the canal, as hereinafter provided, measures for the prevention of smuggling shall be limited to vigilance on the part of the employé or employés whom it may concern without any further measures being taken against passengers, vessels, or their cargoes, excepting when an attempt at smuggling is discovered; it being the intention of the State that there should be the most ample liberty of transit by the canal for persons and property, with the sole limitations established by this contract. Consequently the company shall have the right to discharge and reload ships in transit at such points as may be necessary in order to make repairs, lighten the vessel, shift cargo, or on account of any accident that renders it absolutely necessary, without being subject to search, exactions, or contributions of any kind, provided that in each case, and before beginning operations, the nearest custom-house authority shall be notified.

ARTICLE XXXIII.

The Government shall lend its protection, in conformity with the laws of the country, to the engineers, contractors, employés, and laborers engaged in the preliminary surveys or in the works of construction and operation of the canal.

ARTICLE XXXIV.

The company shall be exempt from all forced loans and military exactions in time of peace and of war. The foreign agents and employés shall likewise be exempt from direct contributions, forced loans, and military exactions during the time they are in the service of the canal, but they shall pay the taxes established by the laws if they acquire real property.

ARTICLE XXXV.

The company may freely introduce immigrants into the lands ceded to it, and the employés and workmen needed in its works and workshops. Asiatics, however, are excepted. Both the immigrants and the employés and workmen will be subject to the laws of the Republic and the regulations of the company. The Government assures them aid

and protection and the enjoyment of their rights and guarantees in conformity with the constitution and the national laws during the time they remain on Nicaraguan territory.

ARTICLE XXXVI.

The Government of Nicaragua assures to the company and its agents under the laws of the country, as it does to the other inhabitants, the full enjoyment of the guarantees and rights which the constitution and the same laws grant to them. And reciprocally the company and its agents bind themselves strictly to respect the laws and regulations that are in force in Nicaragua, and especially to comply with the executive judgments of the tribunals without considering themselves vested with other rights than those which the laws concede in favor of the Nicaraguans.

ARTICLE XXXVII.

The Government shall establish all along the line of the canal included between the two terminal ports such police stations and revenue offices as in its judgment are necessary to preserve order in the region of the canal and for the observance of the fiscal laws of the Republic. All expenses incident to this service, including those of buildings, endowments, salaries and allowances of employes, and transportation of the forces, shall be paid to the Government by the company on such terms and conditions as may be established, taking into consideration the requirements and necessities of such service. The company, however, shall have the power to establish guards and watchmen for the service of the canal and the enforcement of its regulations.

ARTICLE XXXVIII.

Contracts for labor on the canal shall enjoy the privileges which the laws of the country accord to agricultural contracts, provided they be clothed with the formalities that the laws require in such contracts. And the contracts in regard to canal labor that the company execute in foreign countries shall be valid and lawful in Nicaragua during the term stipulated in them, provided they do not violate the laws of the Republic; provided also the documents containing them be presented to the proper authorities, with due authentication, that they may be registered.

ARTICLE XXXIX.

The company shall be exempt during the period of this concession, in peace and in war, from all manner of taxes upon the real property it may acquire by virtue of this contract, and from every kind of direct contributions, local taxes, or any other tax relating to the property and use of the canal, its buildings, and constructions appertaining thereto, in its entire length, including those that are situated in the ports and maritime establishments on the two oceans, as also the lands conceded to the company for the whole term of the privilege. This franchise is not assignable to those who buy the real estate which the company may dispose of by virtue of this concession.

ARTICLE XL.

The Republic of Nicaragua shall not establish any tonnage, anchorage, pilot, light-house dues or charges of any kind whatsoever upon vessels of whatever class, or upon the merchandise, baggage, and pas-

sengers which may pass through the canal from one ocean to the other, all such dues being reserved for the benefit of the company, as hereinafter set forth in article 43.

But all such merchandise as shall be loaded or discharged at any point of the canal intended for sale shall pay the import and export duties fixed by the revenue laws of the state.

ARTICLE XLI.

With the view of securing the most ample freedom in the transit of persons and property, and in order to remove as far as possible occasions for disagreeable questions, there shall be on each side of the canal a free zone, the extent of which shall be one hundred yards measured from the water's edge in the canal, it being understood that the borders of the lake shall not be considered as margin of the canal for the purposes of this stipulation.

All traffic declared illegal by the laws of the Republic shall be prohibited within the said zone, and the revenue authorities charged with watching and preventing smuggling shall act in conformity with the stipulations in article 32.

It is expressly agreed that every vessel that passes through the canal shall carry on board an officer named by the Government when the authorities think it necessary, and this employé shall act in conformity with the law in case he discovers its infringement.

The two ports to be constructed for the entrance and exit of the canal on the two oceans shall be declared free ports, and they shall be recognized as such from the beginning of the work to the termination of this concession.

The Government in agreement with the company shall establish, by special decree, the limits of the freedom of these ports, which limits shall not extend beyond the waters of the port, which are those included between the mouth of the canal and the entrance to the said ports.

ARTICLE XLII.

For the proper administration of the canal and its appurtenances, and in order to facilitate its construction and operation, the company shall establish the necessary regulations, which shall be binding on all persons found in its waters or its appurtenances, the sole reservation being that the rights and sovereignty of the State be respected.

It being understood that the company in the exercise of the powers conferred by this article may not make other regulations than those necessary for the administration and particular management of the canal, and that before executing and enforcing these regulations they shall be submitted to the Government for approval. The state will lend the aid of its authority for the enforcement of these regulations.

ARTICLE XLIII.

By way of compensation for the expenses of surveys, construction, maintenance, and operation of the canal, which under the present concession shall be at the cost of the company during the period of said privilege, it shall have the right to establish and collect for the passage of all kinds of vessels, travelers, and merchandise through the canal, and in the waters and ports pertaining to it, taxes on navigation, tonnage, and pilotage, towage, storage, lay days, anchorage, light, road-

stead dues, wharfage, hospital dues, and any other similar charges in conformity with the tariff to be established by it in accordance with Article LII of this contract.

These tariffs may be modified by the company at any time on condition that all modifications that may be introduced shall previously be communicated to the Government, which, in case of finding them within the limits established by the said Article LII, shall cause them to be complied with as if they were regulations enacted by itself.

The payment of all the tariff dues shall be exacted without any exception or preference, and under identical conditions, from all vessels, whatever be the place they come from or their nationality, with the exception stipulated in the following article.

ARTICLE XLIV

As compensation for the privileges and concessions that Nicaragua grants by this contract, it is hereby stipulated that the Republic shall enjoy the special privilege that Nicaraguan vessels sailing under the Nicaraguan flag may navigate the canal at a reduction of fifty (50 per cent) per centum from the general tariff while engaged in the coasting trade or in the reciprocal trade with the other republics of Central America. It is declared that the vessels referred to in the preceding paragraph must be exclusively of the register of the Republic, and they must not be owned, either in whole or in part, by citizens of other countries.

A reduction of fifty (50 per cent) per cent from the general tariff is also granted to vessels that begin their voyage for a foreign country in any of the ports belonging to the Republic, with a cargo wholly composed of products of the country. All the privileges to which this article refers shall be extended to the other Republics of Central America whenever Nicaragua shall find itself free from international obligations which may prevent it, or whenever one or more of the said Republics shall form a single nation with Nicaragua. The company can not collect any navigation dues whatever upon vessels and craft navigating the lake of Nicaragua and its prolongations without passing out of the locks. The Nicaraguan vessels of war, and in the case above provided those of the Republic of Central America, shall not pay any dues on passing through the canal.

ARTICLE XLV.

In case it may be possible to utilize the waters of the canal and its dependencies for the irrigation of plantations, gardens, and streets, or for the supply of towns that may be without it, or as motive power for private enterprises, the company shall have power to supply it, collecting dues in proportion to the amount furnished, according to the tariff that it may be establish in agreement with the Government.

ARTICLE XLVI.

In view of the existence of an exclusive privilege granted by the Republic in favor to Mr. F. Alf. Pellas, by a contract ratified on the 16th of March, 1877, for the navigation by steam on the lake and river for the purposes of the internal commerce of the Republic, the canal company shall have the right of expropriation against Mr. Pellas, as regards his rights and properties, on just assessments by experts, after

making a corresponding compensation according to the laws of the Republic.

It is also stipulated that the company binds itself to pay to the Government of the Republic all it may from now on expend in any way for the improvement of the navigation of the river and the port of San Juan del Norte. This payment shall be made within six months of the date of the beginning of the works of the canal, and according to the original accounts of the corresponding office.

ARTICLE XLVII.

The company shall undertake at its expense the final surveys of the ground and the location of the line of the canal by a commission of competent engineers, two of whom shall be appointed by the Government of the Republic, which shall protect as far as it may the said commission.

There is granted to the concessionary company a term, not exceeding one year, in which to commence the final surveys for the canal, and one year and one-half additional for completing them; to organize the executing company, and commence the work of construction. Said terms shall begin to be counted from the date of the ratification of the present contract by the Nicaraguan Congress, published in the official paper, which shall be construed as notification. Furthermore, said terms are not to be extended, and it is understood that operations are not considered to have been begun if during the first year of the work two million dollars (\$2,000,000) are not expended on it.

ARTICLE XLVIII.

A term of ten years is also granted to the company for the construction, completion, and opening of the canal for maritime navigation. However, should events of main force arise, duly justified and sufficient to impede the regular progress of the works during the period of the said ten years, an extension shall be granted equal in duration to the time that may have been lost by such delays.

If, at the expiration of the ten years aforesaid, the works should not be completed so as to have the maritime communication between the two oceans opened, in consideration of the great capital the company may have invested in the enterprise, and of the good will and ability it may have shown, and the difficulties encountered, the Republic binds itself to concede a new extension.

ARTICLE XLIX.

As a guaranty of the fulfillment of the obligations which the company incurs in accordance with Article 47, it shall deposit to the order of the Government of Nicaragua in a bank or in a mercantile house in the city of New York, which the Government may designate and within sixty (60) days from the date of the ratification of this contract, the sum of one hundred thousand (\$100,000) dollars, American gold, which the company shall forfeit to the Republic if it do not fulfill the said obligations; and which sum otherwise shall be considered an advance to the Government on account of the necessary expenses of payment of the police of the canal according to the stipulations set forth in Article 37. This deposit, as soon as made, shall be at the disposal of the Government.

ARTICLE L.

In consideration of the valuable privileges, franchises, and concessions granted to the company by this contract, the Republic shall receive in shares, bonds, certificates or other securities which the company may issue to raise the corporate capital, six per centum of the total amount of the issue.

Such shares, bonds, certificates, or other securities shall be free of all payment on the part of the Republic, being considered as paid in full. The six per centum shall in no event be less than four million dollars (\$4,000,000)—that is to say, forty thousand shares or obligations of whatsoever kind of one hundred (\$100) dollars each.

Of said shares, bonds, certificates, or securities of whatsoever class, two-thirds shall not be transferable; but all shall participate in the benefits, interests, partitions, dividends, sinking funds, rights, privileges, and in all the advantages given to paid up shares without any distinction. The Government in its capacity of shareholder shall besides have the right to appoint one director, who shall represent its interest in the board of directors of the canal company from the time of its definite establishment. The shares referred to in this article shall be delivered to the agent the Government may appoint to receive them and as soon as the company shall be ready to issue the certificates for its capital.

ARTICLE LI.

In order that the canal association may indemnify itself for the expenses it may have had to incur for the verifications, preparations, explorations, and surveys hereinbefore mentioned, and for all other expenditures that it will have to make until the definite organization of the company, it shall have the right from the time of the organization of said company to six per cent in shares, bonds, certificates, or other securities which the company may issue for the purpose of raising the corporate capital and which are to be issued in excess of the capital to be subscribed.

These bonds, shares, or securities shall be identically like the subscription shares, and issued from the same register or stock book. As a consequence they shall participate in all benefits, interests, partitions, dividends, sinking fund, rights, privileges, and of all the advantages given to the paid up shares, bonds, or securities without any distinction whatever.

ARTICLE LII.

From the receipts of the enterprise the company shall take in the first place the necessary amount to cover all the expenses for maintenance, operation, and administration; all the sums necessary to secure the interest, which shall not exceed six per centum, and the amortization of the obligations and of the shares, and what remains shall form the net profits, of which at least eighty per centum (80 per cent.) shall be divided among the shareholders, it being agreed that after the lapse of ten years after the completion of the canal the company shall not divide among the shareholders in payment of dividends, directly or indirectly, by issue of shares or otherwise, more than fifteen per centum (15 per cent.) annually or in this proportion, from dues collected from the aforesaid canal and where it shall appear that these dues yield a greater profit they shall be reduced to the fixed limit of fifteen per cent per annum.

ARTICLE LIII.

The present concession shall be forfeited:

1st. Through the failure on the part of the company to comply with any of the conditions contained in Articles 8, 46, 47, 48, and 49.

2d. If the service of the canal, after its completion, be interrupted for six months, except in cases of main force.

When the concession shall have been declared forfeited, from whichever of these causes, the public lands granted by this convention will revert to the Republic, in whatsoever state they may be, and without compensation even in the case that buildings may have been erected thereon.

Such lands shall be excepted as may have been alienated to private parties by the company, with the formalities prescribed by law, provided that such alienations shall not have taken place within the six months preceding the date on which the company may have become legally liable to the penalty herein established.

ARTICLE LIV.

On the expiration of the ninety-nine years stipulated in this concession, or in the event of the forfeiture contained in the preceding article, the Republic shall enter upon possession in perpetuity, of the canal, of works of art, light-houses, storehouses, stations, deposits, stores, and all the establishments used in the administration of the canal, without being obliged to pay any indemnity to the company.

There shall be excepted from this condition, the vessels belonging to the company, its stores of coal and other materials, its mechanical workshops, its floating capital and reserve fund, as also the lands ceded to it by the State, excepting those in which are established the works indicated in the first part of this article, and which will revert to the State together with their immediate appurtenances, as necessary for the service of the canal, and as an integral part of the same.

But the company shall have the right, at the expiration of the aforesaid term of ninety-nine years, to the full enjoyment of the free use and control of the canal in the capacity of lessee, with all the privileges and advantages granted by the said concession, and for another term of ninety-nine years, on the condition of paying twenty-five per cent of the annual net profits of the enterprise to the Government of the Republic, besides the dividends due to it for its shares in the capital stock.

The company furthermore shall have the right to fix, at its discretion, the dues referred to in article 43 of this concession, so that the shareholders still receive dividends not to exceed ten per centum per annum on the whole capital after deducting the payment of twenty-five per cent of the net gains to the Government.

At the expiration of this second term of ninety-nine years the Government shall enter into perpetual possession of the canal and other properties referred to in the first part of this article, including also in this possession all that which is excluded in the said first part with the exception of the reserve and amortization funds. The failure to comply with any of the terms of the lease shall terminate it, and the State shall enter into possession of the canal and other works belonging to it in accordance with the provisions of the preceding paragraph.

ARTICLE LV.

Any misunderstanding that may arise between the State of Nicaragua and the company in regard to the interpretation of the present

stipulations shall be submitted to a court of arbitrators composed of four members, two of which shall be appointed by the State and two by the company.

These arbitrators shall be designated by each of the parties within the period of four months from the day on which one of the contracting parties shall have informed the other in writing of the want of agreement on the point at issue. Should one of the parties allow the aforesaid term to pass, it shall be considered as assenting to the opinion or claim of the other.

The majority of the votes of the arbitrators shall decide finally and without recourse. In case of a tie vote the arbitrators shall select, by mutual consent, a fifth person, who shall decide. If unable to agree to such nomination, they shall draw by lot the names of the diplomatic representatives accredited to Nicaragua, and the first one drawn out shall exercise the functions of the fifth arbitrator; he shall either adopt the opinion of one or the other of the parties to the controversy, or render his opinion between these extremes, and his decision shall be final and without any appeal whatever; the fifth arbitrator failing, the second person drawn shall exercise these functions, and so on successively until a decision is reached.

Prior to the initiation of the works of opening the canal the Government shall formulate, with the concurrence of the company, rules to be observed by the arbitrators in all matters relating to procedure.

Questions between the company and individuals residing in Nicaragua shall be under the jurisdiction of the ordinary tribunals of Nicaragua, in conformity with the legislation of the country. In matters pertaining to nonresidents of Nicaragua the rules of international private law will be observed.

In witness of the foregoing stipulations, we have signed two instruments of the same tenor in Managua, on the 23d day of March, one thousand eight hundred and eighty-seven.

AD. CARDENAS.
A. G. MENOCAI.

The Government, finding the foregoing contract in conformity with the instructions transmitted, determines to approve it in all its parts and to submit it to Congress for its ratification.

Managua, April twelfth, one thousand eight hundred and eighty-seven.

E. CARAZO.

The acting subsecretary of the interior.

CANTON.

Done in the hall of sessions of the chamber of deputies, Managua, April 20, 1887.

TOMÁS ARMIJO.
LEOPOLDO M. MONTENEGRO.

LUIS E. SAENZ.

To the S. E. P. hall of the senate, Managua, April 23, 1887.

JOAQUIN ZAVALA.

S. MORÁLES.

ELIODORO RIVAS.

Therefore be it executed. Managua, April 24, 1887.

E. CARAZO.

The subsecretary of the interior in charge of the office:

ALEJANDRO CANTON.

Accepted on the same date.

CANTON.

A. G. MENOCAI.

I do hereby certify the preceding signature of the subsecretary of the interior, which reads Alejandro Canton, to be genuine.

Managua, April 25, 1887.

JOAQUIN ELIZONDO.

**CONCESSIONS AND DECREES OF THE REPUBLIC OF COSTA RICA
TO THE NICARAGUA CANAL ASSOCIATION OF NEW YORK.**

The Constitutional Congress of the Republic of Costa Rica, in the exercise of the powers granted to it by section 4, article 73, of the constitution, decrees—

ARTICLE FIRST.—The contract entered into on the 21st of July last, between the honorable minister of public works, authorized for this purpose by the honorable President of the Republic, on behalf of the Government of the same, and Mr. Aniceto G. Menocal, on behalf of the Nicaragua Canal Association, for excavating and operating an inter-oceanic canal crossing, either in whole or in part, through the territory of the Republic, or running along the whole or part of its boundary with Nicaragua, is hereby approved.

The aforesaid contract with the modifications agreed to by Congress reads literally as follows:

The undersigned, Pedro Pérez Zeledón, secretary of the State bureau of public works, especially authorized by the honorable general, President of the Republic, to celebrate ad referendum the present contract, party of the first part, and Aniceto G. Menocal, representing the Nicaragua Canal Association, with full powers from it, and also authorized for this purpose by the executive committee of the said association, party of the second part, have revised the contract for the canal made in Washington on the 17th of last May, by the party hereto of the first part, in his capacity as envoy extraordinary and minister plenipotentiary of the Republic of Costa Rica to the Government of the United States of America, and Mr. Hiram Hitchcock, president of the aforesaid association; the said contract, with the modifications now agreed to by the undersigned, reads as follows:

ARTICLE I.

The Republic of Costa Rica grants to the Nicaragua Canal Association, its successors and assigns, the exclusive privilege to excavate and operate a maritime canal between the Atlantic and the Pacific oceans, running either wholly or in part through the territory of the said Republic or along the whole or a part of her border line with the Republic of Nicaragua.

To render this contract fully efficient between the contracting parties hereto, it will be sufficient if the association aforesaid should use or occupy for the works of the said canal, or for any of its ports in one or the other oceans, any Costa Rican waters or at least waters in which Costa Rica has joint ownership or has rights of use and navigation.

Whenever the word "association" is used in this present document reference is made to the "Nicaragua Canal Association," its successors and assigns.

ARTICLE II.

The canal must be of sufficient dimensions for the free and commodious passage of vessels of the same size as the large steamers used for ocean navigation between Europe and America.

ARTICLE III.

The State declares this work to be one of public utility.

ARTICLE IV.

The duration of the present privilege shall be for ninety-nine years, to be counted from the day on which the canal shall be opened to universal traffic.

During the aforesaid period the association shall have the right to construct and operate within the territory of Costa Rica a railroad along the whole extent of the said canal, or those parts of the same which it may consider convenient for the better service and operation of the said work.

The Republic binds itself not to make any subsequent concession for the opening of a canal between the two oceans as long as the present privilege lasts.

The Republic will also abstain during the same period from granting, within a zone of twenty-five miles along the canal, concessions for railroads from sea to sea that might compete with the canal in the traffic between foreign nations. This restriction shall not prevent the construction of new railroads that may be convenient for Costa Rica to build to the canal, or to any point on the northern frontier of the Republic, either connecting or not with any other railroads.

ARTICLE V.

The grantee association shall have the right to establish such telegraph lines as may be considered necessary for the construction, management, and operation of the canal.

The Government shall have the right to use the telegraph lines of the company from any station to any station that may be included within the line from sea to sea, without being obliged to pay the company for such service.

ARTICLE VI.

The Government of the Republic declares and accepts that the ports at each extremity of the canal and the canal itself from sea to sea during the time of this concession shall be neutral; and consequently in case of war between other nations, or between one or more nations and Costa Rica, the transit through the canal shall not be interrupted for such cause, and the merchant vessels and individuals of all nations of the world may freely enter the aforesaid ports or pass through the canal without molestation or detention.

In general, all vessels shall freely pass through the canal without distinction, exclusion, or preference, whether of persons or nation.

alities, provided that they pay the dues and comply with the rules established by the association for the use of the said canal and its dependencies.

The transit of foreign troops and vessels of war shall be regulated by such provisions in regard thereto as are now or may be hereafter established in the treaties between Costa Rica and other powers, or by international law. But the entrance of the canal shall be strictly forbidden to vessels of war of any nation which may be at war with Costa Rica or with any other of the Republics of Central America.

Costa Rica shall endeavor to obtain from the powers that are to guarantee the neutrality that in the treaties to be made for that purpose they shall also bind themselves to guarantee the same conditions to a zone of land parallel to the canal and also to a maritime zone in both oceans, the dimensions of which shall be fixed by such treaties.

ARTICLE VII.

The present concession shall be transferable only to such company or companies as may be organized for the purpose of constructing or operating the canal, and in no case to foreign governments or to foreign public powers.

Nor shall the association have the right to transfer to any foreign government or public power any part of the lands granted to it by this contract. But it shall have the right to make such transfers to private parties under the same restrictions.

The Republic of Costa Rica shall not *transfer* its rights and privileges in respect to the canal to any foreign government or public power.

The people of all nations shall be invited to contribute the necessary capital to the enterprise, and it shall be sufficient for the fulfillment of this requirement to publish an advertisement for twenty consecutive days in one of the principal daily papers of each of the cities New York, London, and Paris.

ARTICLE VIII.

The capital stock (*capital social*) of the final company which is to operate the canal shall consist of shares of the face value of one hundred dollars each, which shall be issued in such amounts as may be deemed necessary. The issue and transfer both of these shares and of all the bonds and obligations that the company may issue shall be exempt from stamp dues and from all other taxes or imposts now established or to be hereafter established in the Republic.

A five per centum, at least, of the capital stock with which the said company may be organized shall be reserved for such Central American Governments and citizens as may wish to subscribe.

As soon as the said company is ready to open subscription books notice shall be given by it to the Governments of Costa Rica and Nicaragua, which shall invite the other Governments of Central America and through them private parties to subscribe.

The shares which, within six months, to be counted from the date of the notice given to the Government, of the opening of the subscription books, are not paid for shall remain at the free disposition of the company.

ARTICLE IX.

The company shall be organized in the same manner and under the conditions generally adopted for such companies. Its principal office shall be either in the city of New York or in such place as may be deemed convenient.

Its first board of directors shall be composed of persons, one-half, at least, of whom shall be chosen from those members of the Nicaragua Canal Association who were promoters of the enterprise.

ARTICLE X.

The Government of Costa Rica in its capacity as stockholder in the final company as hereinafter provided, shall have the perpetual right of appointing one director, who shall be an integral part of the board of directors of the said company, with all the rights, privileges, and advantages conferred upon the other directors of said company by the charter, by-laws, and statutes of the company and the laws of the country under which it shall organize.

The Government, in the said capacity of stockholder, shall also have the right to take part in the elections that the company may hold.

ARTICLE XI.

The said final company is bound to keep a representative in Costa Rica, vested with ample powers for everything that may be of interest to the company, either actively or passively.

ARTICLE XII.

The association shall have the most ample liberty to select and adopt the route which it may deem most convenient, advantageous and economical between the two oceans for the excavation, construction, and operation of the canal and its dependencies and ports, whether the same passes wholly or in part through the territory of Costa Rica or only along its border line.

Should the canal deviate from the River San Juan, in that section of the same in which Costa Rica has the right of navigation, the association binds itself to establish at such points as the engineers may deem proper, a communication between such parts of the San Juan River as may not be canalized and the dividing level of the canal, to the end of facilitating, without payment of any dues whatever, the navigation of Costa Rica vessels between the noncanalized part of the San Juan River and the canal, by means of a lock or series of locks suitable for the navigation of vessels of six feet draught.

It is understood that this obligation does not in any manner bind the association to place or to keep in navigable condition the lower part of the river which these locks may be intended to place in communication with the canal.

ARTICLE XIII.

All expenditures for surveys, construction, maintenance, and operation of the canal shall be borne by the association without any subvention in money or guaranty of interest on the part the Republic.

ARTICLE XIV.

The association shall construct, at its expense, and shall keep in good condition, two large ports, one on the Atlantic and one on the Pacific, at such points or localities as it may select within or without the territory of Costa Rica, to serve as termini of the canal; and each of them shall have a light-house of the first order.

ARTICLE XV.

All the area within the territory of Costa Rica, whether at the ports, roadsteads, or rivers of the two oceans, which may be necessary for the establishment of the canal, its paths, and embankments, or which may be occupied and covered by water after raising the dams which are to be constructed in the beds of the rivers, or for all necessary deviations to be made, as well as for reservoirs, dikes, spaces about the locks, stations, light-houses, and canals, storehouses, buildings, and workshops, deposits for materials, and also all those required for the routes, service railways, and canals of the same nature, for the transportation of materials to the line of the work, and for feeders of the canal; in short, all lands and places within the territory of Costa Rica necessary to the construction and operation of the canal, as may be laid down in the final drawings and plans made by the engineers of the association, shall be placed by the State at the disposal of the said association under the conditions set forth in the following articles.

ARTICLE XVI.

Such unappropriated lands as belong to the State shall be given to the association without any compensation whatever, and with regard to those lands belonging to private parties the State undertakes to condemn them should the association demand it.

The compensation which, in agreement with the laws of Costa Rica, may have to be paid in such cases, shall be paid by the association, and to it shall be added the amount of the expenses and costs of the respective actuations, in such a way that the national treasury shall suffer no loss.

ARTICLE XVII.

In all relating to the condemnation to be made under the provisions of the preceding articles the association shall enjoy all the immunities and privileges that the laws of the country grant to the State, so that the association may not be obliged to pay more than the State would under similar circumstances.

ARTICLE XVIII.

For the construction, maintenance, and operation of the canal the association shall have the right to take free of charge from the lands belonging to the State whatever material of a spontaneous production of the land that may be found on them, especially timber for construction and fuel, and limestone, clay for bricks, and earth for fillings that are to be made. As regards materials of the said class found on lands belonging to private parties, the association shall have the same rights and privileges granted by the laws to the State.

ARTICLE XIX.

If it should be necessary for the association to occupy temporarily and during the construction of the canal lands in the territory of Costa Rica which are not included in those designated in the Articles XV, XVI, and XVIII, it shall not be obliged to pay any compensation for them if they are unappropriated lands. And the State shall not have

the right to sell or dispose of them in any other manner after the association has once determined to occupy them, unless under the reservation of this right, the limit of which shall be the execution of the works of the interoceanic canal. Should the said lands belong to private parties, then the association shall enjoy, so far as the temporary occupation thereof is concerned, all the rights and franchises which the laws grant to the State, with the special privilege of occupying them immediately after the declaration of utility and necessity and after payment of the proper compensation, which shall never exceed that which the State would be obliged to pay in a similar case.

ARTICLE XX.

The Republic of Costa Rica desiring to aid efficiently the association in this enterprise cedes in fee simple to the said association the public lands hereinafter mentioned, in alternate lots, with other similar ones which it reserves for itself, to wit:

1st. On the right or southern bank of the San Juan River, from a point three English miles below Castillo Viejo to the confluence of the San Carlos, should the canal follow the valley of the San Juan, lots fronting on the canal three English miles front by six deep.

2d. Between the San Carlos River and the Atlantic, should the canal pass wholly or in part through the territory of Costa Rica, or along the boundary of Costa Rica, lots of three English miles frontage on the canal and four deep.

3d. Should the route of the Selinas Bay be adopted, lots of two English miles frontage on the canal by two deep in the Costa Rican territory crossed by the canal or along which it may run, from the Pacific Ocean to a point two English miles distant from the mouth of the Sapoa River in the Lake of Nicaragua.

4th. Should the canal deviate from the San Juan River more than four miles towards the interior of Costa Rica, lots to be measured on both sides of the canal of two miles front and two deep. Should the deviation be less than four miles, then the lots of the northern bank of the canal shall have a front of two miles and extend in depth until they touch the San Juan River.

5th. From the Rio Frio to the Sapoa on the south coast of the Lake of Nicaragua, at two miles distant from the same and following the curve of its bank, lots of two English miles front by two deep.

6th. In the places where the company in accordance with the Government may select from the existing unappropriated public lands twenty-five lots, each two English miles in frontage by four deep. As a general rule, at the extremities of the Interoceanic Canal, should the same be within the territory of Costa Rica, the opposite lots will be allotted, one to the Government and one to the company; but, if this be not possible, the first will belong to the Government.

The State shall vest in the association the possession of said lands as soon as the location of the canal is finally determined and its construction begun by the association.

The rights required by private parties in the lands set forth in the preceding clauses are hereby reserved.

The measurement and setting out of all lands ceded by this contract shall be made at the expense of the grantee, with the intervention of the Government.

The final title deeds shall be issued in due proportion as the work advances, and not before.

Between the Atlantic and the point three miles below Castillo Viejo all parts of the San Juan and Colorado rivers occupied by the canal shall be considered, for the purposes of the present article, as a part of the said canal.

It is hereby understood that the whole of the lands transferred to the association by Costa Rica, in the different places and in the form as set forth in the foregoing article, shall not exceed in amount one-fourth of the total amount of lands granted to the company by the Government of Nicaragua, according to the contract made by it. Should they exceed such amount, the difference shall be deducted by reducing the number of lots mentioned in subdivision 5th of this article.

ARTICLE XXI.

The State reserves the right to occupy, in the several lots of land ceded to the association, such space as may be needed for such roads and public buildings as it may deem convenient. In the same manner it shall have the right to use timber and other building materials which may be found on said land whenever they may be necessary for any work upon which it may determine. Should these lands become the property of private persons by virtue of a transfer made by the company, and the State should need them for the purpose set forth in this article, or for some other purposes, it shall pay their owners for them in conformity with the laws, and the expropriated parties shall have no right or claim against the association.

Should the association have made improvements on the lands referred to, whether for the purposes of utility, ornament, or pleasure, the State shall be bound to compensate it for such damages as it may suffer according to appraisals of experts.

ARTICLE XXII.

Mines of coal, gold, silver, iron, or other metals, and stone quarries situated in the lands ceded to the association shall belong to it by right without the necessity of previous denunciation, and it shall have the right to work them whenever it may deem it convenient, subject to the laws of the Republic, but such lands as may be transferred by the association to private parties shall not enjoy this privilege.

ARTICLE XXIII.

The association shall also have the right to utilize for the works of the canal and its appurtenances the timber in the forests situated in the land granted to it by the State from the very moment from which it enters into possession of the same under the present contract, the acquired rights always being reserved.

ARTICLE XXIV.

From the day in which the present concession shall be ratified by Congress no alienation shall be made of any unappropriated lands necessary for the construction of the canal nor of those ceded to the association on the banks of the same. Nor shall the said lands be leased to the prejudice of the company. However, should the location of the canal not be definitely settled when this contract is ratified, the line of the canal shall for the purposes of this article be presumed to follow the northern boundary line of Costa Rica.

ARTICLE XXV.

The association shall have the right of doing throughout the whole extent of the canal within the territory of Costa Rica, at the mouths of the canal on the two oceans, and in the whole extent of the lands which under the present contract have been granted to it according to articles 15, 16, and 20, all such works as may be necessary for locating, leveling, excavating, and dredging the canal, and all other works that may be required for the establishment, feeding, operation, preservation, and maintenance of the canal.

The association is especially authorized to make along the line of the canal and on the Costa Rican bank of the San Juan River and its Costa Rican affluents and confluents, as well as on the Costa Rican rivers tributary to the Lake of Nicaragua, the lakes or water courses which may be utilized in their flow to the Pacific or to the Atlantic; to construct dikes and dams, make rectifications, dredgings, embankments, and deviations; to locate buoys, and in general to do all the works that in the opinion of the engineers of the association may be deemed indispensable for the construction, feeding, navigation, and operation of the canal. The embankments, fillings, and dikes which may be made within the territory of Costa Rica, at the mouths of the canal on the ports on the two oceans, by using materials resulting from the excavation of the canal, shall belong in fee simple to the association; but the Government shall have the right to occupy them in whole or in part after compensation made. Should any port of the canal be within the territory of Costa Rica, the association shall not obstruct such port nor widen its beaches unless there is absolute necessity to do so, and in this case the embankments and fillings that it may be necessary to construct in front of said port shall belong to the Republic.

In general the association shall have the right to use all the lakes and rivers of Costa Rica the waters of which may be necessary in the judgment of the engineers of the association to construct and feed the canal and to maintain its operations, but this right shall have the following restrictions, to wit:

1st. The navigation of the Costa Rican rivers, which the association may dam or otherwise use for the benefit of the canal, shall remain at the termination of the respective works in as good condition as it was before they were made.

2d. In the places where the waters of said rivers may overflow in consequence of the erection of dams or other artificial obstructions made by the association, the said association shall be obliged to do whatever may be practicable to prevent the formation of swamps and marshes.

3d. Such damages as may be caused to private parties in consequence of the deviation or elevation of the streams shall be compensated for by the association according to appraisals made by experts in conformity with the laws of the Republic, but the association shall not be obliged to pay more than the State would under similar circumstances.

ARTICLE XXVI.

The association can not import merchandise into the territory of the Republic for the purposes of trafficking with it without paying the custom duties established by law, but it shall have the right to import free from custom duties and of any other imposts whatsoever the articles needed for the works of the enterprise, its surveys, explorations, exam-

ination of localities, constructions, use, operation, maintenance, repairs, and improvements of the canal, and also for the telegraphic and railroad service of the same, and for the works and workshops of the company, and the said articles may consist of implements, machinery, apparatus, coal, limestone of all classes, lime, iron, and other metals, whether raw or manufactured, mining powder, dynamite, or any other analogous substance. These articles may be transported between whatever points they may be needed during the work of the construction of the canal, and shall be landed and stored free from all local taxes.

The association shall also have the right to import free from duties or imposts, during the work of constructing the canal, such provisions, clothing for the workmen, and medicines as may be absolutely necessary for its own consumption.

Those articles the commerce of which is not free are excepted from the privileges granted in this article, and shall remain subject, with the exception of gunpowder, dynamite, and other explosives, to such requisites and duties as are established by law.

ARTICLE XXVII.

The vessels that the association may employ as tug boats or for the service of the canal shall be free from all imposts or taxes of any kind whatever, and also the material to be used for their repair and the fuel that they may consume.

The vessels and their appurtenances, from whatever place they may come, for the service of the association shall be exempt from all duties and imposts.

ARTICLE XXVIII.

The Government shall enact such regulations as it may deem necessary to prevent smuggling and for the preservation of public order in the region of the canal lying within the territory of Costa Rica or bordering on it and in the waters where it may exert joint jurisdiction. The company shall be bound to lend its assistance for the enforcement of such regulations. But in the free zone along the margin of the canal, as hereinafter provided, measures for the prevention of smuggling shall be limited to vigilance on the part of the employee or employees whom it may concern, without right to any further measures, either against passengers, vessels, or their cargoes, excepting when an attempt at smuggling may be discovered; it being the intention of the State that there shall be most ample freedom of transit through the canal for persons and property, with the sole limitations established by this contract. Consequently, the association shall have the right to unload and reload ships in transit at such point as may be necessary in order to make repairs or lighten the vessels or shift their cargoes, or on account of any accident that unavoidably may render it necessary, without being subject thereby to search, exactions, or contributions of any kind, provided in each case, and before beginning operations, notice is given to the nearest custom-house authority.

ARTICLE XXIX.

The Government shall afford its protection, in conformity with the laws of the Republic, to the engineers, contractors, employés, and laborers that may be engaged in the preliminary surveys or in the works of construction and operation of the canal.

ARTICLE XXX.

The association shall be exempt from all forced loans and military exactions whether in time of peace or of war. The foreign agents or employés shall also be exempt from direct taxes, forced loans, and military exactions during the time in which they are in the service of the canal, but they shall pay the direct taxes established by law in case they may become owners of real property or commercial or industrial establishments.

ARTICLE XXXI.

The association may freely introduce into the lands granted to it employés and laborers of every race who may be needed in its works and workshops; and it may also introduce immigrants of all nationalities, excepting Asiatics and negroes. Both the immigrants and the employés and laborers shall be subject to the laws of the Republic and to the regulations of the company. The Government assures them aid and protection and the enjoyment of their rights and guarantees in conformity with the constitution and the national laws during the time that they may remain within Costa Rican territory.

ARTICLE XXXII.

The Government of Costa Rica shall assure the association and its agents, under the laws of the Republic, as it does to the other inhabitants, the full enjoyment of the guarantees and rights which the constitution and laws grant to them. Reciprocally, the association and its agents bind themselves strictly to respect the laws and regulations in force in Costa Rica, and especially to comply with the final decisions of the courts, without considering themselves vested with other rights than those granted by law to Costa Rican citizens.

ARTICLE XXXIII.

The Government shall establish all along the line of the canal which may be within the territory of Costa Rica or along its frontier or in the waters appertaining to it in ownership or joint jurisdiction, such police stations and revenue offices as in its judgment may be necessary for the preservation of order in the region of the canal and for the observance of the fiscal laws of the Republic.

The expenses incident to said services, including those of buildings, salaries, wages, and allowances of the employés and transportation of the forces, and which may be in excess of such as are now borne by the Government for the custom-house actually established at the mouth of the San Carlos, or on any other point that may be crossed by the canal, shall be paid to the public treasury by the company on such terms and conditions as may be established hereafter, taking into consideration the requirements and necessities of such services.

The association shall also have the right to establish guards and watchmen for the service of the canal and the enforcement of its regulations.

ARTICLE XXXIV.

All contracts in regard to the works of the canal that the association may enter into in foreign countries shall be valid and effective, and shall have full force and effect in Costa Rica, provided they do not violate the laws of the Republic.

ARTICLE XXXV.

The association shall be exempt during the period of this concession both in time of peace and in time of war from all kinds of taxes upon the real estate that it may acquire by virtue of this contract and from all kinds of direct taxes, local charges, or any other imposts relating to the property and use of the canal, or of its buildings and the construction and dependencies thereof, all along its extent, including those situated in the ports and maritime establishments on the two oceans.

This franchise is not transferable to the purchasers of the real estate which the association may alienate under this grant.

ARTICLE XXXVI.

The Republic of Costa Rica shall not establish any tonnage, anchorage, pilot, or light-house dues or any other charges of any kind whatsoever, upon vessels of any class whatever or upon the merchandise, baggage, and passengers which may pass through the canal from one ocean to the other; all such dues are reserved for the benefit of the association as provided for in article 39.

ARTICLE XXXVII.

For the purpose of securing the most ample liberty of transit of persons and property a free zone shall be established on each side of the canal, and the width thereof shall be 90 meters and 288 millimeters, measured from the water's edge in the canal.

All traffic declared illegal by the laws of the Republic shall, however, be prohibited within the said zone and the revenue authorities whose duty it is to watch for and prevent smuggling shall act in conformity with the stipulations of Article XXVIII.

It is expressly agreed that every vessel that may pass through the part of the canal which may be within the territory of Costa Rica or along its borders or in waters over which it exerts co-jurisdiction shall carry on board an officer appointed by the Government whenever the authorities may deem it convenient, and that officer shall act in conformity with the law should he discover that it is being violated.

The two ports to be constructed for the entrance and exit of the canal on both oceans, which may be wholly or in part within the territory or in waters of Costa Rica, shall be declared free ports and shall be recognized as such from the opening of the canal to the end of this concession.

The Government, in agreement with the company, shall establish, by means of a special decree, the limits of this franchise, which shall never extend beyond the waters of the ports comprised between the mouth of the canal and the entrance of said ports.

All merchandise that shall be loaded or discharged at any point of the canal within the territory of Costa Rica, and intended for internal commerce, shall pay the import and export duties fixed by the revenue laws of the State.

ARTICLE XXXVIII.

For the proper administration of the canal and its dependencies, and in order to facilitate its construction and operation, the association shall establish the proper regulations, which shall be binding upon

every person who may be found in its waters or in its dependencies; the sole reservation being that the rights and sovereignty of the State be respected.

It is understood that the association, in the exercise of the powers conferred by this article, shall not make other regulations than those necessary for the administration and particular management of the canal; and that, before carrying them into effect, they shall be submitted for the approval of the Government. The State shall lend the aid of its authority to enforce these regulations.

ARTICLE XXXIX.

By way of compensation for the expenses incurred in the surveys, construction, maintenance, and operation of the canal, or any part thereof, during the period of said privilege, the said association shall have the right to establish and collect for the passage of all kinds of ships, vessels, travelers, and merchandise through the canal and in the waters and ports pertaining to it, such dues of navigation, tonnage, pilotage, towage, storage, lay days, anchorage, light, roadsteads, wharfage, hospital dues, and any other similar charges in conformity with the tariffs to be established by it in accordance with article 45 of this contract.

These tariffs may be modified by the association at any time, on condition that all modifications that may be introduced in it shall be previously communicated to the Government, which, in case of finding them within the limits established by said article 45, shall cause them to be complied with as if they were regulations enacted by itself.

The payment of all the tariff dues shall be exacted without any exception or preference and under identical conditions from all vessels, whatever be the place they come from or their nationality, with the exception stipulated in the following article.

ARTICLE XL.

In compensation for the privileges and concessions that Costa Rica grants by this contract, it is hereby stipulated that the Republic shall enjoy the special privilege that Costa Rican vessels, navigating under the flag of Costa Rica, shall be entitled to navigate the canal at a reduction of fifty per centum of the general tariff while engaged in the coasting trade or in the reciprocal trade with the other republics of Central America.

To enjoy this privilege, the said vessels shall be necessarily of the register of the Republic, and belong to citizens of the same.

A reduction of fifty per centum of the general tariff is also granted to all vessels that begin their voyage for a foreign country at any of the ports belonging to the Republic with a cargo wholly consisting of products of the country.

Costa Rican vessels of war and revenue cutters shall pay no dues in passing through the canal. No dues shall be paid by the vessels of the National Register navigating either Costa Rican waters connected with the canal or the canal itself, without passing out of the locks, but said vessels are not in any way to obstruct the free navigation of the canal.

Costa Rica, on its part, shall not object to the enjoyment by Nicaraguan ships of the advantage granted in this article to those of Costa Rica, provided that Nicaragua, on its part, consents that the ships of Costa Rica shall enjoy in Nicaraguan waters the said privilege.

All the concessions to which this article refers shall be extended to the other Republics of Central America, or any of them, whenever Costa Rica and Nicaragua shall find themselves free from international obligations which may prevent it, or whenever one or more of said Republics shall form a single nation with Costa Rica.

ARTICLE XLI.

In case it may be possible to utilize the waters of the canal and its dependencies for the irrigation of plantations, gardens, and streets, or for the supply of towns that may be without it, or as motive power for private enterprises, the company shall have the power to supply it, collecting dues in proportion to the amount furnished, according to the tariff that it may establish in agreement with the Government.

ARTICLE XLII.

The association shall undertake at its expense the final surveys of the ground and the location of the line of the canal by a commission of competent engineers. The Government of Costa Rica shall have the right of visiting and inspecting the final surveys which are in progress, and those already completed by an engineer appointed by said Government, and whose salary shall be paid by the association, the amount thereof to be fixed hereafter by special agreement between the Government and the company.

A period of two years and a half, to be counted from the date of the ratification of this contract, is granted the association for the final surveys of the canal, and within the said time the association shall have to make the said final surveys, organize the company which is to carry on the work, and begin the work of construction.

The work of construction shall be understood to have commenced if within three years after its inception two millions of dollars have been expended on it.

The period herein provided for shall admit of extension by the Republic at the request of the association and upon grounds of justice, in the judgment of the Government.

ARTICLE XLIII.

A term of ten years is also granted to the association for the construction, completion, and opening to traffic the canal for maritime navigation. However, should events of main force arise, duly justified and sufficient to impede the regular progress of the works during the period of the said ten years, an extension shall be granted equal in duration to the time that may have been lost by such delays.

If at the expiration of the ten years aforesaid the works should not be completed so as to have the maritime communication between the two oceans opened, in consideration of the great capital the company may have invested in the enterprise, and the good will and ability it may have shown and the difficulties encountered, the republic binds itself to grant a new extension.

ARTICLE XLIV.

As a guaranty of the fulfillment of the obligations which the final company which is to construct the canal incurs in accordance with

article 42, it shall deposit to the order of the Government of Costa Rica, in a bank or in a mercantile house in this city, or with an agent which the government may designate, immediately after the certificates are issued, one thousand shares of its capital stock of the nominal value of \$100 each. The said one thousand shares of capital stock shall be considered an advance to the government of the payment of the police and revenue expenses to be made under article 33, and the association shall be credited with the actual value of said shares at the time such payments are made.

ARTICLE XLV.

In consideration of the valuable privileges, franchises, and concessions granted by virtue of this contract to the association, the Republic shall receive in shares, certificates, or other values representing the capital stock of the final company, an amount equal to one and one-half per centum of the total amount of issue of said capital stock, in shares or certificates of \$100 each. This sum shall in no event be less than \$1,500,000. Said shares shall be considered as fully paid up and two-thirds thereof shall not be transferable. All these shares shall participate in the benefits, interest, distributions, dividends, amortizations, rights, privileges, and all other advantages granted to paid up shares, without any difference whatever. These shares, together with the other privileges herein granted by the association to the Government, shall be in full compensation to the Republic for all public unappropriated lands that may be flooded and for all the privileges and concession conferred by this contract, and shall cover completely all claims of this description on the part of the state against the association or the final company. The shares to which this article refers shall be delivered to the agent appointed by the Government for this purpose as soon as the company may be ready to issue certificates of its capital.

ARTICLE XLVI.

From the earnings of the enterprise the company shall take, in the first place, the necessary amount to cover all the expenses for maintenance, operation, and administration; all the sums necessary to secure the interest, which shall not exceed six per centum, and the amortization of the obligations and of the shares, and what remains shall form the net profits, of which at least eighty per centum (80 per cent) shall be divided among the shareholders, it being understood that after the lapse of ten years after the completion of the canal, the company shall in no case divide among its shareholders in payment of dividends, directly or indirectly, by issue of shares or otherwise, more than fifteen per centum (15 per cent) annually or in this proportion, from dues collected from the aforesaid canal; and where it shall appear that these dues yield a greater profit, they shall be reduced to the fixed limit of fifteen per cent per annum.

ARTICLE XLVII.

he present concession shall be forfeited:

- 1st. Through the failure on the part of the company to comply with any one of the conditions contained in Articles VII, XLII, and XLIII.
- 2d. If the service of the canal, after it is completed, is interrupted for six months, unless in case of unforeseen accidents or main force.

When the concessions shall have been declared forfeited from which-

ever of these causes, the public lands granted by virtue of the present contract shall revert to the Republic in whatever condition they may be, and without compensation, such lands as may have been alienated by the company with the formalities prescribed by law shall be excepted, provided that such alienations shall not have taken place within the six months preceding the date on which the company may have become legally liable to the penalty herein established.

ARTICLE XLVIII.

At the expiration of the ninety-nine years stipulated in this concession, or in the event of the forfeiture expressed in the preceding article, the Republic shall enter into the possession in perpetuity of that part of the canal, its warehouses, stations, and other establishments used for the management thereof that may be found within the national territory. Such works as may be found in waters in which the Republic has joint sovereignty shall belong to her in joint ownership. And in regard to such parts of the canal or of the waters thereof in which Costa Rica has not the eminent domain, but simply the right of use and free navigation, the Republic, at the expiration of the ninety-nine years, or in the cases of forfeiture above named, shall retain in perpetuity the said rights of use and free navigation. The Republic shall not be obliged to pay to the company any compensation for the same.

There shall be excepted from this condition the vessels belonging to the company, its stores of coal and other materials, its mechanical workshops, its floating capital and reserve fund, and at the expiration of the said ninety-nine years also the lands ceded to it by the State under the present contract, excepting those in which the works indicated in the first part of this article may be found established, which will become the property of the State, with their immediate dependencies as necessary for the service of the canal and an integral part of the same.

But the company shall have the right, at the expiration of the aforesaid term of ninety-nine years, to the full enjoyment and a free use and control of the canal and such parts thereof as may be within the territory of Costa Rica, with all the privileges and advantages granted by this concession in the capacity of lessee for a second period of ninety-nine years, upon payment to the Government of Costa Rica of six and one-quarter per centum of the annual net profits of the enterprise, besides the dividends due to it for its share in the capital stock.

The company shall have the right to fix at its discretion the dues referred to in article 39 of this concession, so that the shareholders, after the payment of $31\frac{1}{4}$ per cent is deducted, shall still receive dividends of ten per cent per annum on the whole capital.

At the expiration of this second period of ninety-nine years the Government shall enter into perpetual possession of the canal and the other property referred to in the first part of this article; and this delivery shall also embrace everything excluded in the said first part, except the lands ceded to the association by this contract and the reserve and sinking fund.

The failure to comply with any of the conditions of the lease shall terminate it, and the state shall enter into the possession of the part of the canal which corresponds to it, owing to it being situated in Costa Rican territory or in the places in which Costa Rica is joint owner, and also of the other works which belong to the canal, in accordance with the provisions of the preceding paragraph.

ARTICLE XLIX.

Any misunderstanding that may arise between the Republic and the company in regard to the interpretation of the present stipulations shall be submitted to a court of arbitrators, composed of four members, two of whom shall be appointed by the state and two by the company.

These arbitrators shall be designated by each party within the period of four months from the day on which one of them shall give notice to the other in writing of the want of agreement on the point at issue. Should one of the parties allow this period to lapse it shall be considered as assenting to the opinion or claim of the other.

The majority of the votes of the arbitrators shall finally decide without recourse. In case of a tie vote the arbitrators shall appoint, by mutual consent, a fifth person, who shall decide, and in case of their default the respective parties will appoint him. If they can not agree to such appointment they shall draw by lot the names of the diplomatic representatives accredited to Costa Rica, and the first one drawn out shall exercise the functions of the fifth arbitrator. He shall concur on one of the two opinions, and what may be so decided shall be final and without recourse of any kind. If the fifth arbitrator should fail, the second person drawn shall exercise these functions, and so on successively until the decision is reached.

Prior to the initiation of the works of opening the canal the Government, in concurrence with the company, shall formulate a set of rules to be observed by the arbitrators in all matters relating to procedure.

All questions between the association and private parties residing in Costa Rica shall be determined by the ordinary courts of Costa Rica in conformity with the legislation of the Republic. In matters pertaining to parties not residing in Costa Rica the rules of private international law shall be observed.

ARTICLE L.

This contract, after being approved by the Hon. General President of the Republic, shall be submitted to the supreme legislative power for the purpose that if they deem it convenient they should impart to it the necessary ratification, and in case such approval is not obtained the Nicaragua Canal Association will be released from all the obligations to which it is bound by it. Such ratification or non-ratification shall be made within one hundred and twenty days from this date.

In witness whereof the undersigned have set their hands to four copies of the present contract, two for each party, in San José de Costa Rica, 31st July, 1888.

PEDRO PEREZ ZELEDÓN.
A. G. MENOCAL.

PALACE OF THE PRESIDENT,
San José, July 31, 1888.

In consideration that the foregoing contract agrees with the instructions given for its celebration to the honorable secretary of state, who authorizes it, it is hereby approved in all its parts for the purpose that it may be submitted to the deliberation of the Constitutional Congress.

Countersigned by his honor the President of the Republic.

PEREZ ZELEDÓN.

ARTICLE 2.—The contract to which the foregoing article refers is hereby exempted from the payment of stamp duties.

To the executive power :

Given in the hall of sessions of the national palace in San José, on the 9th day of August, 1888.

A. ESQUIVEL, *President.*
MÁNUEL J. JIMÉNEZ, *Secretary.*
FÉLIX GONZÁLEZ, *Vice-Secretary.*

PRESIDENTIAL PALACE,
San José, August 9, 1888.

Therefore be it executed.

BERNARDO SOTO.

The secretary of state of the department of public works:

MAXIMO FERNANDEZ.

CONTRACT RELATING TO THE NICARAGUA CANAL BETWEEN THE GOVERNMENT OF COSTA RICA AND MR. A. G. MENOCAI IN REPRESENTATION OF THE NICARAGUA CANAL ASSOCIATION OF NEW YORK.

This contract was approved by the President of Costa Rica on the 31st of July and ratified by the Costa Rican Congress on the 9th of August, 1888.

The undersigned, Pedro Perez Zeledon, secretary of state in the department of public works, specially authorized by the President of the Republic to make, ad referendum, the present contract, of the one part, and Aniceto G. Menocal, representative of the Nicaragua Canal Association, with sufficient power therefor and also authorized for that purpose by the executive committee of the same, of the other part, have revised the canal contract made in Washington the 17th day of May ultimo by the first above named in his capacity of envoy extraordinary and minister plenipotentiary from Costa Rica, near the Government of the United States of America, and Mr. Hiram Hitchcock, president of the said association, which contract, with the modifications now agreed to by the undersigned, is as follows:

ARTICLE 1. The Republic of Costa Rica grants to the Nicaragua Canal Association, their successors and assigns, the exclusive privilege to excavate and to operate a maritime canal between the Atlantic and Pacific oceans, wholly or in part in the territory of said Republic, or running along the whole or a part of the frontier line of the Republic of Nicaragua.

This contract shall have full effect between the contracting parties by the fact alone that Costa Rican waters (or at least those over which Costa Rica has joint dominion or the right of use and navigation) may be utilized or occupied by the association for the work of the canal referred to or for any of its ports on either ocean.

Whenever the word "association" is used in the present document it is to be understood to mean the "Nicaragua Canal Association," its successors and assigns.

ARTICLE 2. The canal shall be of sufficient dimensions for the free and commodious transit of vessels of the size of the large steamers in use in navigation between Europe and America.

ARTICLE 3. The State of Costa Rica declares this work one of public utility.

ARTICLE 4. The duration of the present concession shall be ninety-nine years, counting from the day upon which the canal shall be opened to universal traffic.

During the same period the association shall have the right to construct and to operate with, in the territory of Costa Rica, a railway along the canal, in its full length or such parts of it as may be deemed requisite for the better service and operation of the work.

The Republic binds itself not to grant any subsequent concession to open a canal between the two oceans during the term of this concession.

During the same period it will not grant concessions for railways from sea to sea, within a zone of 25 miles along a line of the canal, which might enter into competition with the canal in the traffic between foreign nations. This restriction shall not prevent the construction of new railway lines which Costa Rica may find it convenient to build up to the canal or to any other point of the northern frontier of the Republic, either to connect or not with other railways.

ARTICLE 5. The association shall have the right to construct such telegraph lines as may be deemed necessary for the construction, management, and operation of the canal.

The Government may use the telegraph lines of the association from and to each one of the stations on the line from sea to sea without any remuneration therefor to the association.

ARTICLE 6. The Government of the Republic declares and accepts as such, during the terms of this concession, the ports at each terminus of the canal and the canal itself from sea to sea to be neutral; and that consequently, in case of war between other nations or between one or more of the latter and Costa Rica, the transit through the canal shall not for such cause be interrupted, and that merchant vessels and persons of all nationalities of the world may freely enter said ports and pass through the canal without molestation or detention.

In general, all vessels may pass freely through the canal without distinction, exclusion, or preference as to persons or nationalities upon the payment of the dues and the observance of the regulations established by the association for the use of said canal and its dependencies. In regard to the transit of foreign troops and vessels of war, the conditions established or which may hereafter be established by treaties between Costa Rica and other nations, or by international law, shall be respected, but the entrance of the canal shall be rigorously prohibited to vessels of war of any nation which may be at war with Costa Rica or with any other of the Republics of Central America.

Costa Rica will endeavor to obtain from the nations which guarantee the neutrality of the canal that in the treaties entered into for that purpose they will bind themselves to guarantee the same neutral character to a free zone parallel to the canal and a maritime zone on both oceans, the extent of which shall be fixed in the respective conventions.

ARTICLE 7. The present concession shall be transferable only to the company or companies organized with the object of constructing and operating the canal, and in no case to any foreign government or public power. Nor shall the association have the right to transfer to any foreign government or public power any part of the lands granted to it by this contract. But it shall have the right to make such transfers to private parties under the same restrictions.

The Republic of Costa Rica shall not cede its rights and privileges respecting the canal to any foreign government or public power.

All nations shall be invited to take part in forming the capital required for this enterprise, and with that object the publication of a

notice for twenty consecutive days in one of the principal daily newspapers of each of the cities of New York, London, and Paris shall be sufficient.

ARTICLE 8. The capital stock of the company definitively organized for the operation of the canal shall consist of shares of the nominal value of \$100 each, which shall be issued in such amounts as may be deemed requisite. The emission and transfer of these shares and of all the bonds and obligations which the company may issue shall be exempt from stamp and any other import established, or that may be established, in the Republic.

From the capital stock with which the company shall be organized, at least 5 per cent shall be reserved for the Government and citizens of Central America who may wish to subscribe.

As soon as the said company is ready to open subscription books, notice shall be given by it to the Governments of Costa Rica and Nicaragua, which shall invite the other Governments of Central America and through them private parties to subscribe.

The shares which within six months from the date upon which notice has been given to the Government of the opening of the subscription books shall not have been paid for shall remain at the free disposal of the company.

ARTICLE 9. The company shall be organized in the form and with the conditions usually adopted for associations of this class. Its principal office shall be established in New York, or wherever it may be deemed most convenient. The half, at least, of the first board of directors shall be selected from among the members of the Nicaragua Canal Association, of which they were the founders.

ARTICLE 10. The Government of Costa Rica, in its character of stockholder in the permanent company, as hereinafter stipulated, shall have the perpetual right to name one director, who shall be one of the board of directors of the company, with all the rights, privileges, and advantages which the charter, statutes, and by-laws and the laws of the nation under which it is organized confer upon the other directors. The Government shall also have the right in its character of stockholder to take a part in the elections of the company.

ARTICLE 11. The permanent company shall be bound to maintain a representative in Costa Rica invested with ample powers for all that may be of active or passive interest to the enterprise.

ARTICLE 12. The association shall have the most ample liberty to select and adopt the route which may be deemed the most suitable, advantageous, and economical between the two oceans for the excavation, construction, and operation of the canal and its dependencies and ports, whether such route shall pass wholly or in part through Costa Rican territory or only alongside of it.

If the canal shall deviate from the San Juan River in the section over which Costa Rica has the right of navigation the Government of Costa Rica reserves the right to require the association to establish at places which the engineers of the association shall consider suitable a communication between the uncanalized part of the San Juan and the dividing level of the canal by means of a lock or locks sufficient for the navigation of vessels of 6 feet draft. It is understood that this obligation in no way binds the association to place or to keep in a navigable condition the lower part of the river, for the communication of which with the canal the locks are to be employed.

ARTICLE 13. All the expenses for surveys, construction, preservation, and operation of the canal shall be paid by the association, with-

out any subvention in money or guaranty of interests on the part of the Republic.

ARTICLE 14. The association shall construct and maintain in good condition two large ports to serve as the termini of the canal on the Atlantic and on the Pacific at the places the association shall select, within or without the territory of Costa Rica. Each port shall have a light-house of the first order.

ARTICLE 15. All the area, whether within the territory of Costa Rica or in the ports, roadsteads, or rivers of the two oceans, necessary for the construction of the canal, its slopes, and declivities; for the area occupied by the waters overflowing from the dams to be built on the beds of the rivers; for the indispensable deviations of streams which may have to be made, as also for the reservoirs, dikes, spaces around the locks, stations, light-houses, warehouses, buildings, shops, and depots for materials; for the routes, railways, and canals for construction service; for the transportation of all materials to the line of work, and for feeders of the canal; in short, all the lands and places within the territory of Costa Rica necessary for the construction and operation of the canal according to the tracings and plans as laid down by the engineers of the association shall be placed by the State at the disposal of the association under the conditions established in the following articles.

ARTICLE 16. Public lands belonging to the State shall be given to the association without any indemnity; and as regards private property, the State will undertake its expropriation should the association ask it. The indemnity to which it may give rise, in conformity with the laws of Costa Rica, shall be paid by the association, together with the amount of costs and expenses, so that the national treasury shall incur no expense.

ARTICLE 17. In all expropriations made in accordance with the foregoing article, the State shall assure to the association enjoyment of the same immunity and privileges that the legislation of the country accords to it; so that the association shall not be obliged to pay more than the State would have to pay under analogous circumstances.

ARTICLE 18. The association shall have the right to take gratuitously from the lands belonging to the State, for the construction, preservation, and operating of the canal, any material found thereon, especially woods for construction and for fuel, lime, stone, clay for bricks, and earth for the gradings that may have to be made.

In regard to the same materials, before mentioned, existing on private lands, the associations shall enjoy the same rights and privileges which by law the State enjoys.

ARTICLE 19. In case the association should find it necessary to occupy, temporarily or during the construction of the canal lands not comprised in those designated in articles 15, 16, and 18, it shall not be required to pay anything therefor if they are public lands, and the State shall not sell or dispose of them in any way, should the association determine to hold them, without reserving this right to the association, the limit whereof shall be the completion of the Interoceanic Canal. If the lands should belong to private individuals, the association shall enjoy as regards their temporary occupation all the rights and privileges that the laws concede to the State, and may enter into immediate possession after the declaration of utility and necessity, and of the indemnity therefor, which shall not exceed that which the State would in such case be bound to pay.

ARTICLE 20. The Republic of Costa Rica being anxious to aid the

association efficiently in this enterprise cedes to it in fee simple the public lands hereinafter mentioned in alternate lots, reserving others of equal dimensions, to wit:

First. On the right or south bank of the San Juan River to 3 miles beyond "Castillo Viejo" (English miles are understood) to the point of its confluence with the San Carlos, should the canal follow the basin of the San Juan, lots of 3 miles frontage on the canal and of 3 English miles wide by 6 miles in depth.

Second. Between the River San Carlos and the Atlantic, should the canal pass wholly or in part through Costa Rican territory, or in the line of the Costa Rica frontier, lots of 3 English miles in width fronting the canal and 4 in depth.

Third. In case the route by way of the Bay of Salinas should be adopted, lots of 2 miles in width fronting the canal and 2 in depth, in the Costa Rican territory which the canal crosses or along which it runs, from the Pacific Ocean to a point distant 2 English miles from the mouth of the Sapoa River on Lake Nicaragua.

Fourth. In case the canal should deviate from the San Juan River more than 4 miles upon the territory of Costa Rica, lots of 2 miles in width by 2 in depth shall be measured on both sides of the canal. If the divergence should be less than 4 miles, the lots on the north side of the canal shall be 2 miles in width and shall extend in depth to the San Juan River.

Fifth. From Rio Frio to the Sapoa lots of 2 English miles in width by 2 in depth to the south of Lake Nicaragua, to 2 miles distance from the same lake and following the curves of its shores.

Sixth. Twenty-five lots of 2 English miles in width and 4 in depth each of the public lands which the company shall select in concurrence with the Government.

As a general rule, at the termini of the Interoceanic Canal, in case these should be within the territory of Costa Rica, the opposite lots shall be awarded, one to the Government and the other to the company; and if this should not be possible, the first in order shall belong to the Government.

The State shall place the association in possession of the lands as soon as the line of the canal shall have been definitively fixed and the work of construction shall have commenced. The rights acquired by individuals to the lands mentioned in the foregoing articles are reserved.

The measurement and demarcation of all the lands ceded by this contract shall be made with the intervention of the Government and at the expense of the grantees.

The final titles shall not be issued save according as the work upon the canal progresses and in due proportion thereto.

From the Atlantic to 3 miles from "Castillo Viejo" the parts of the rivers San Juan and Colorado which the canal may occupy shall be considered as a part of the same for the purposes of this article.

It is understood that the total of the lands ceded by Costa Rica to the association, at different points and in the form expressed in the foregoing paragraphs, shall not exceed the fourth part of the total of lands conceded to the company by the Government of Nicaragua, according to the contract made by them, and in case it should exceed the difference shall be deducted by reducing the number of lots mentioned in the fifth clause of this article.

ARTICLE 21. The State reserves the right to occupy in the several lots ceded to the association the areas it may require for roads and

public buildings. It shall also have the right to make use of the woods and other building materials found on said lands whenever required for construction. With these lands, in virtue of a transfer by the company, become the property of individuals, should the State require them for the purposes mentioned in this article, or for any other, it shall compensate the owners in conformity with the laws, and the owners shall have no claim against the association. In case the company should have improved the lands, either for purposes of utility, ornament, or recreation, the State shall be bound to indemnify it for the damages it has sustained upon a just appraisalment of experts.

ARTICLE 22. Mines of coal, gold, silver, iron, or other metals and quarries found on the lands ceded to the association belong to it by right without previous denouncement, and may be worked at its option, in accordance with the laws of the Republic; but the lands which the association transfer to individuals shall not enjoy this exemption.

ARTICLE 23. From the moment upon which it enters into possession thereof the association shall have the right to make use of, for the works of the canal and its dependencies, the timber found in the forests, situate on the lands ceded to it by the State, without prejudice to previously acquired rights.

ARTICLE 24. From the day upon which this concession shall be ratified by Congress none of the public lands which may be necessary for the construction of the canal, nor those ceded to the association along its margin, shall be sold; neither shall any of said lands be leased to the prejudice of the company. Notwithstanding, if at the time of the ratification of the contract the line of the canal should not have been definitively determined, it will be presumed that for the purposes of the present article such line will follow the northern frontier of Costa Rica.

ARTICLE 25. The association shall have the right throughout the extent of the canal, within the territory of Costa Rica, at the mouth of the canal in the two oceans and in all the lands ceded by the present contract, as per articles 15, 16, and 20, to perform whatever works may be necessary for locating, leveling, excavating, and dredging, as also other works requisite for the establishment, feeding, operating, preservation, and maintenance of the canal.

Along the line of the canal and upon the Costa Rican margin of the River San Juan, its affluents and confluents in Costa Rica, as also the Costa Rican tributaries of Lake Nicaragua, the association is specially authorized to make use of the lakes and streams which can be utilized in their flows to the Pacific or Atlantic for the construction of dams and dikes, for rectifications, dredgings, embankments, location of buoys, and generally for all the works which the engineers of the association may find necessary for the construction, feeding, navigation, and use of the canal. The gradings, fillings, and dikes made in Costa Rican territory and at the mouths of the canal in the ports of both oceans from the materials taken from the canal excavations shall belong exclusively to the association, but the Government shall have the right upon indemnity therefor to make use of the same wholly or in part.

If any of the ports of the canal should be within Costa Rican territory the company shall not obstruct nor extend the shores thereof unless absolutely necessary. In such case, the gradings and fillings that it may be necessary to make opposite to the port shall belong to the Republic.

In general terms, the association shall have the right to use all the lakes and rivers of Costa Rica whose waters may be necessary, in the

judgment of the engineers of the association, for the construction and feeding of the canal, but this right has the following limitations:

First. The navigation of the Costa Rican rivers, which the association may dam up or use in any way for the canal, shall, at the termination of their respective works, be in as good condition as before their execution.

Second. At places where the waters of said rivers overflow in consequence of the dams or other artificial obstructions made by the association the latter shall be bound to do everything practicable to prevent the formation of pools and swamps.

Third. The damages done to individuals by the deviation or elevation of streams shall be compensated by the association, according to appraisal by experts, in conformity with the laws of the Republic, but the association shall not be bound to pay more than the State would pay under analogous circumstances.

ARTICLE 26. The association shall not import into the territory of the Republic any merchandise intended for sale except upon the payment of the legal customs duties; but it may import free of duties and any impost articles needed for the works of the canal, for surveys, examinations of localities, inspections, constructions, use, development, repairs and improvements of the canal, and for its telegraph and railway services, and for its works and workshops. Such articles may consist of tools, machinery, apparatus, coal, limestone of all kinds, lime, iron and other metals, unmanufactured and manufactured, blasting powder, dynamite, and other analogous articles. These articles may be transported between different points as required during the work of canal construction and discharged and stored free of all local tax.

During the construction of the canal the association may import free of duties provisions, clothing for the laborers, and medicines indispensably necessary for its own use.

With the exception of powder, dynamite, and other explosive substances, articles in which trade is restricted are not included in this concession, but remain subject to the requirements and imposts established by the laws.

ARTICLE 27. The vessels employed by the association as tugs or for canal service shall be free of all taxes and imposts whatsoever, as shall also the fuel used and materials for their repairs.

All vessels and their equipments intended for the service of the association shall be free of dues or imposts, whatever may be the place they come from.

ARTICLE 28. The Government shall make such regulations as it may deem necessary to prevent smuggling and to maintain public order in the region of the canal, which may be within Costa Rican territory or bordering on it, or in the waters over which it exercises joint jurisdiction.

The association shall be bound to assist in carrying out such regulations. But in the free zone, along the banks of the canal, as hereinafter stipulated, the measures adopted to prevent smuggling shall be limited to watchfulness on the part of employee and employees performing that duty; and no other measures affecting passengers, vessels, or their cargoes shall be taken except when an attempt to smuggle has been discovered, it being the purpose of the State that on the canal there shall be the most ample liberty of transit for persons and property, with the limitations only established by this contract. The company, consequently, shall have the right to discharge and reload vessels in transit, wherever it may be necessary, for repairs or to lighten for

restowage, or by reason of any accident which may render it unavoidable, without being subject to search, exactions, or taxes of any kind; in each case before commencing the operation notice shall be given to the nearest customs authority.

ARTICLE 29. The Government shall afford its protection in accordance with the laws of the Republic to the engineers, contractors, employees, and laborers engaged in the preparatory surveys or in the works of construction or in operating the canal.

ARTICLE 30. The association shall be exempt from all forced loans and military exactions in times of peace and of war.

The agents and foreign employees shall also be exempt from direct taxes, forced loans, and military exactions while they are in the service of the canal; but in case they become the owners of real estate, or of industrial or mercantile establishments, they shall be subject to the direct taxes established by law.

ARTICLE 31. The association may freely bring to the lands which have been ceded to it the employees and laborers of any race needed for its works and shops; it may also bring in immigrants of any nationality except Asiatics and negroes; and the immigrants, as well as the employees and laborers, shall be subject to the laws of the Republic and to the regulations of the company. The Government assures them aid and protection and the enjoyment of their rights and guaranties under the laws and constitution during the time they remain in Costa Rican territory.

ARTICLE 32. The Government of Costa Rica guarantees to the association and to its agents under the laws of the country, as it does to all other inhabitants, the full enjoyment of the rights and guaranties which the constitution and laws concede them.

On the other hand, the association and its agents are strictly bound to respect the laws and regulations ruling in Costa Rica, and especially to submit to the judgments of the courts, without claiming in any case other rights than those enjoyed by Costa Ricans.

ARTICLE 33. The Government shall establish throughout the line of the canal which may lie within Costa Rican territory or on its frontier or in waters which belong to it as sole owner or in joint dominion such police stations and customs guards as it may deem necessary to maintain good order in the region of the canal and to enforce the customs laws of the Republic.

The expenses attending this service, including the cost of buildings, salaries, and allowances of employees, transportation of troops, in excess of what the Government pays for customs guards now established at the mouth of the San Carlos or at any other point crossed by the canal, shall be paid into the public treasury by the company upon the terms and conditions to be fixed hereafter, taking into consideration the requirements and necessities for such service.

The association shall have the right at all times to establish guards and watchmen for the service of the canal and for the enforcement of its regulations.

ARTICLE 34. All contracts for work on the canal which the association shall make abroad shall be valid and subsisting and shall have full force and effect in Costa Rica, in so far as they do not conflict with the established laws of the Republic.

ARTICLE 35. The association shall be exempt during the period of this concession, in times of war and of peace, from every form of tax upon the real estate acquired by virtue of this contract, and from all direct taxes, local imposts, and from all other dues relating to the prop-

erty and to the use of the canal or its buildings, or the constructions pertaining to it, throughout its length, including those at the ports and the maritime establishments on the two oceans.

That franchise is not transmissible to the purchasers of real estate which the association may sell in conformity with this concession.

ARTICLE 36. The Republic of Costa Rica shall not establish tonnage dues, anchorage, pilot, light, or any other charges upon vessels of any class whatever, nor upon the merchandise, luggage, and passengers which may pass through the canal from one ocean to the other. All such rights are reserved to the association as stipulated in article 39.

ARTICLE 37. With the view to secure to persons and property the most ample freedom of transit, there shall be on each side of the canal a free zone of 90 meters 288 millimeters in width, measured from the water's edge of the canal.

But within this zone all traffic declared by the laws of the Republic to be illegal shall be prohibited, and the customs authorities, empowered to watch and to prevent smuggling, shall act in accordance with the stipulations of article 28.

It is expressly understood that any vessel navigating the canal which may be within the territory of Costa Rica, or along the line of its frontier, or in waters over which it has joint sovereignty, shall carry on board a guard appointed by the Government whenever the authority shall deem it advisable, and that employee shall act in conformity with the laws in case of their violation.

The two ports of entrance and departure to and from the canal on either ocean, if wholly or in part within the territory or waters of Costa Rica, shall be declared free ports, and shall be recognized as such from the time of the opening of the canal to the termination of this concession.

The Government, conjointly with the company, shall designate by a special decree the limits of the free zone, which shall never extend beyond the waters of the same port comprised between the mouth of the canal and the entrances to the ports.

Merchandise embarked or discharged at either port of the canal, within Costa Rican territory, destined for interior commerce, shall pay the import and export duties fixed by the customs laws of the State.

ARTICLE 38. For the proper administration of the canal and its dependencies and to facilitate its construction and use, the company shall prescribe the necessary regulations, which shall be binding upon all persons in the waters of the canal or its dependencies, with the sole reservation of the recognition of the rights and sovereignty of the State.

It is understood that the association in use of the rights conceded in this article shall not make any other regulations than such as are required for the administration and special management of the canal, and that before putting them into force they shall be submitted to the approval of the Government. The State shall lend the aid of its authority to enforce these regulations.

ARTICLE 39. By way of compensation for the expenses of surveys, construction, preservation, and operation of the whole or a part of the canal during the period of this concession, the association shall have the right to establish and to receive for the passage of ships and vessels of all kinds, of travelers and merchandise, through the canal and in the waters and ports pertaining to it, imposts on navigation, tonnage, pilotage, towage, storage, lay dues, anchorage, light, and roadstead dues, wharfage, for hospitals, and others of a similar character which may be established in consonance with article 45 of this contract

These tariffs may be modified by the association at any time, on the condition that all the modifications introduced therein shall be previously communicated to the Government, which shall, if found to be within the restrictions established by said article 45, cause them to be observed as if the regulations were issued by itself.

The payments of all tariff dues shall be required without any preference or exception and under the same conditions from all vessels from wheresoever they may come or of whatever nationality, save in reserved cases stipulated in the next article.

ARTICLE 40. In compensation for the privileges and concessions which Costa Rica grants by this contract, it is stipulated that the Republic shall enjoy the special privilege that Costa Rican vessels, sailing under the flag of Costa Rica, shall navigate the canal at a reduction of 50 per cent from the general tariff while employed in the coasting trade or in the interstate trade with the other Republics of Central America.

To enjoy this privilege said vessels must be, indispensably, of the matriculation of this Republic and must be owned by citizens of the same.

The same rebate of 50 per cent from the general tariff shall also be conceded to any vessel outward bound which commences its voyage from any of the ports of the Republic and whose cargo shall consist in its totality of products of the country.

Costa Rican vessels of war, and those of the revenue service, of the Republic shall pay no transit dues in passing through the canal, neither shall the vessels of national matriculation which navigate in Costa Rican waters connected with the canal, and the canal itself, without passing the locks, pay dues, but such vessels shall not in any way obstruct the expeditious navigation of the canal.

On the part of Costa Rica there will be no obstacle to the enjoyment by Nicaraguan vessels of the advantages granted in this article to those of Costa Rica, provided that Nicaragua consents in reciprocity that Costa Rican vessels shall enjoy the same advantages in Nicaraguan waters.

All the concessions to which this article refers shall be extended to the other Republics of Central America, or to any of them, if Costa Rica and Nicaragua should be free from international obligations which might prevent it, or whenever any one or more of said Republics shall form with Costa Rica one nation.

ARTICLE 41. In case it should be possible to utilize the waters of the the canal and its dependencies for irrigating plantations, gardens, or streets, or for the supply of places requiring water, or as a motive power for private enterprises, the company shall have the right to supply it and receive compensation therefor, according to the rates established conjointly with the Government, proportionally with the quantity supplied.

ARTICLE 42. The association shall undertake at its own expense the final surveys and tracings of the line of the canal by a commission of competent engineers. The Government of Costa Rica shall have the right of inspection of the works of the final survey which are being made and those already concluded by a competent engineer appointed by the said Government, whose salary shall be paid by the association and fixed by agreement with the Government.

For the final surveys of the canal the term of two years and a half, counting the date of the ratification of this contract, is conceded to the

association. Within that time the final surveys shall be concluded, the company which is to carry out the enterprise shall be organized, and work shall commence.

It is understood that work shall not have commenced if three years after it has been undertaken \$2,000,000 shall not have been expended therein.

The term mentioned in this article may be extended by the Republic at the solicitation of the association if, in the judgment of the Government, there should be just motives therefor.

ARTICLE 43. The term of ten years for the construction and completion of the Maritime Canal and for opening it for traffic is also conceded to the association.

Notwithstanding, should it be shown that obstacles have arisen sufficient to retard the regular progress of the work during the ten years referred to, the term shall be extended to equal in duration the time lost in consequence.

If at the expiration of the ten years before mentioned, the work shall not have been completed and maritime communication between the two oceans opened, the Republic, in consideration of the large capital the association will have invested in the enterprise, and the good faith and ability which it shall have shown, and the difficulties it may have to encounter, binds itself to concede a new extension.

ARTICLE 44. In guarantee of the fulfillment of the stipulations of article 42 the company shall deposit to the order of the Government of Costa Rica, in a bank or commercial firm of New York, or with the agent named by the Government, and as soon as the certificate shall be issued, 1,000 shares of the capital stock, of the nominal value of \$100 each. Said shares shall be considered as advanced to the Government in payment of police and customs guard expenses to be incurred in accordance with article 33, and the association shall be credited with the actual value of the shares at the time of making said payment.

ARTICLE 45. In consideration of the valuable concessions, privileges, and exemptions which are granted to the association by virtue of this contract, the Republic shall receive in shares, certificates, or other securities representing the capital stock of the company a sum equal to $1\frac{1}{2}$ per cent of the total value of the emission of said capital stock, in shares or certificates of the value of \$100 each; that sum shall in no case be less than \$1,500,000. It is understood that the shares shall be fully paid up, two-thirds shall not be transferable, and all shall participate in the profits, interests, divisions, dividends, amortizations, rights, privileges, and other advantages pertaining to paid-up shares, without any difference.

These shares, together with the privileges conceded by the association to the Government in this contract, shall be in full compensation to the Republic for the public lands that may be inundated and for all the privileges and concessions granted in this contract, and shall cover completely all claims of this class on the part of the State against the association or company.

The shares referred to in this article shall be delivered to the agent the Government may appoint for that purpose, as soon as the company shall be ready to issue the certificates of its capital stock.

ARTICLE 46. From the gross earnings of the enterprise the company shall first reserve a sufficient sum to cover all expenses for the preservation, operation, and administration of the canal; all sums necessary to secure the interest debt, the rate of which shall not exceed 6 per cent, and for the amortization of its obligations and shares; the remain-

der shall be the net earnings, from which not less than 80 per cent shall be divided among the stockholders. It is understood that ten years after the completion of the canal the company shall never divide among the shareholders, by direct or indirect dividends, issue of stock, or in any other way, more than 15 per cent annually, or in that proportion, for canal dues collected; and when it shall be found that the charges yield a larger profit the dues shall be reduced to the basis of 15 per cent per annum.

ARTICLE 47. The present concession shall lapse—

First. For failure of the company to comply with any of the conditions of articles 7, 42, and 43.

Second. If the service of the canal after completion should be interrupted for six months, except in fortuitous cases or cases of "force majeure."

The termination of the contract having been declared for any of these causes, the public lands conceded by this contract shall be restored to the Republic, in whatever condition they may be found, without indemnity.

Those lands which the company shall have sold with the formalities prescribed by law shall be excepted, provided always that such sales shall not have been made within the six months previous to the date upon which the company becomes lawfully subject to the penalty herein established.

ARTICLE 48. At the expiration of the ninety-nine years herein stipulated, or in the event of the lapse of the contract mentioned in the foregoing article, the Republic shall enter into possession in perpetuity of that part of the canal, its warehouses, stations, and other establishments used for the administration of the canal, found in the territory of the nation. The work found in the waters over which the Republic has cosovereignty shall belong to it in joint domain; and in regard to that part of the canal and its waters over which Costa Rica has not eminent domain, but the right of use and free navigation after ninety-nine years or in case of termination, the Republic shall retain the right of use and free navigation thereof in perpetuity. For all which the Republic shall not be bound to pay any indemnity to the company.

The vessels of the company, their supplies of coal and other materials, mechanic shops, floating and reserved capital are excepted from these conditions, as are also at the expiration of the ninety-nine years the lands which the State ceded by this contract, excepting those upon which the works mentioned in the first part of this article have been established, which shall become the property of the State, together with their dependencies, as necessary for the service of the canal and as an integrant part of the same.

But in the capacity of lessee the company shall have the right, at the expiration of the period of ninety-nine years, to the full enjoyment of and free use and control of the canal and of the part within the territory of Costa Rica, enjoying equally the privileges and advantages of this concession during a second period of ninety-nine years, conditional with the payment to the Government of Costa Rica of $6\frac{1}{4}$ of 1 per cent of the net annual earnings of the canal, in addition to the dividends accruing from its shares of the capital stock.

The company shall have the right at its discretion to fix the dues (or tolls) referred to in article 39 of this concession in such a manner that the stockholders, after deducting the payment of $31\frac{1}{4}$ per cent, shall still receive 10 per cent annually upon all the capital.

At the expiration of the second term of ninety-nine years the Gov-

ernment shall enter into the perpetual possession of the canal and of other property referred to in the first part of this article, and in addition all that was excluded from delivery in said first part, with the exception of the lots of land ceded to the association by the present contract and the reserved capital and sinking fund.

Failure to fulfill any of the conditions of the lease shall terminate it, and the State shall enter into possession of the canal, or of that part which belongs to it because of its being in Costa Rican territory,* and of the other works belonging to the canal as stipulated in the foregoing paragraph.

ARTICLE 49. Any disagreement which may arise between the Republic and the company as to the interpretation of the present stipulations shall be submitted to a board of arbitrators to be composed of four persons, two to be named by the State and two by the company.

These arbitrators shall be designated by each of the parties within four months from the day upon which one of the said parties shall have made known to the other in writing the disagreement on the point under discussion.

If one of the parties should allow the period mentioned to pass by it shall be held that the opinion or claim of the other has been accepted. The majority of the arbitral votes shall decide definitely and without appeal. In case of a tie, the arbitrators, by mutual agreement, shall name a fifth, who shall decide. If unable to agree in naming a fifth, they shall draw by lot from the names of the diplomatic representatives accredited to Costa Rica, and the first drawn shall exercise the functions of the fifth arbitrator; he shall adopt the opinion of one or the other side, and whatever he decides shall be final and without recourse of any kind.

In default of the fifth arbitrator, the second one drawn shall exercise these functions, and so successively until a decision shall have been reached.

Before the commencement of the work of opening the canal the Government, jointly with the company, shall adopt rules by which the arbitrators shall be governed in whatever relates to their proceedings.

Questions between the company and individuals residing in Costa Rica shall be decided by the ordinary courts, and in conformity with the laws of the Republic. In matters of those who do not reside in Costa Rica the rules of international law private shall be adhered to.

ARTICLE 50. This contract, when approved by the President of the Republic, shall be submitted to the supreme legislative power for its ratification if deemed desirable. In case of its rejection the Nicaragua Canal Association shall be released of its obligations herein contracted. The ratification or rejection shall be given within one hundred and twenty days from this date.

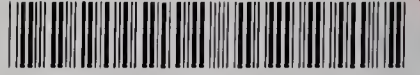
In faith whereof the undersigned sign four copies of the present contract, two for each party, at San Jose, Costa Rica, July 31, 1888.

P. PEREZ ZELEDON.
A. G. MENOCAL.

This contract was approved the same day by the President of Costa Rica, and was ratified by the Costa Rican Congress on the 9th of August, 1888.

*Or at points where Costa Rica has joint rights.

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