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OUTGOING TELEGRAM Department of State

INDICATE: COLLECT
 CHARGE TO

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Classification

19 Aug 68 22 58Z

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Origin
Info:

ACTION: Amembassy RIO DE JANEIRO PRIORITY

STATE

EXDIS

SUBJECT: Exchange Rate Issue and 1968 Program Loan

Ref: Rio's 10958

1. We agree in general with your thoughtful analysis of situation and available U.S. options. Highest U.S. priority is to follow course which will permit us continue exercise effective influence on critical GOB economic policy decisions, with credit problem probably paramount during next few weeks. Following your alternative one both unnecessary this point and undesirable, for it would likely reduce our ability influence future events.
2. However, we also attach very high priority to maintaining our credibility in program loan dialogue with Delfim and other GOB elements. We made last tranche release on basis of strong private assurance from Delfim about future actions.

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Drafted by: SM
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Telegraphic transmission and classification approved by: ARA - Mr. Palmer DKB

Clearances:

ARA - Mr. Vaky [Signature]

AA/LA - Mr. Richardson DKB

S/S - Mr. Brown [Signature]

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FORM 8-65 DS-322