

# TELEGRAM

Foreign Service of the  
United States of America

INCOMING

RIO DE JANEIRO

Dec 8 7 57 PM '66

ACTION: FINATT-2

AMERICAN EMBASSY  
BRASILIA, BRAZIL

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ECON FM SECSTATE WASHDC  
COM TO RUESAL/AMEMBASSY SANSALVADOR  
RDG RUESAS/AMEMBASSY ASUNCION  
FILE RUESBA/AMEMBASSY BUENOS AIRES  
POL RUESBG/AMEMBASSY BOGOTA  
BRAS -2 RUESDO/AMEMBASSY MONTEVIDEO  
RUESGT/AMEMBASSY GUATEMALA CITY  
RUESJO/AMEMBASSY SANJOSE  
RUESKN/AMEMBASSY KINGSTON  
RUESLM/AMEMBASSY LIMA  
RUESMG/AMEMBASSY MANAGUA  
RUESMO/AMEMBASSY MEXICOCITY  
RUESNA/AMEMBASSY SANTIAGO  
RUESPR/AMEMBASSY PORTAUPRINCE  
RUESQI/AMEMBASSY QUITO  
RUESRS/AMEMBASSY CARACAS  
RUESSD/AMEMBASSY SANTODOMINGO  
RUESTE/AMEMBASSY TEGUCIGALPA  
RUESUA/AMEMBASSY RIODEJANEIRO  
RUESVA/AMEMBASSY PANAMA CITY  
RUESLZ/AMEMBASSY LAPAZ  
STATE GRNC  
BT

**ACTION EMOFFICE**  
Brasilia

P. O	2
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FOLLOWING PROVIDED AS BACKGROUND INFORMATION ON THE RECENT MEETINGS IN WASHINGTON ON RESERVE CREATION.

THE FIRST OF A SERIES OF FOUR JOINT MEETINGS BETWEEN DEPUTIES OF GROUP OF TEN AND EXECUTIVE DIRECTORS OF IMF WAS HELD AT THE FUND ON NOVEMBER 24-30, THEREBY COMMENCING SECOND STAGE OF NEGOTIATIONS ON A CONTINGENCY PLAN FOR THE CREATION OF RESERVE ASSETS. THIS FIRST MEETING WAS HIGHLY SUCCESSFUL, DEMONSTRATING SERIOUSNESS OF PURPOSE, THOROUGHNESS OF PREPARATION, AND A WIDE AREA OF AGREEMENT ON MANY POINTS.

MEETING PRIMARILY EXPLORATORY, WITH BOTH DEPUTIES AND EXECUTIVE DIRECTORS SPEAKING FREELY. TOPICS DISCUSSED INCLUDED AIMS

03/0825/RLS

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OF RESERVE CREATION AND NEED FOR RESERVES, THE NATURE AND FORM OF A RESERVE ASSET, PROCEDURE FOR ALLOCATING RESERVES TO PARTICIPATING COUNTRIES, AND USE AND ACCEPTANCE OF RESERVE ASSETS.

EXCELLENT PROGRESS MADE TOWARD CONSENSUS THAT AIM OF RESERVE CREATION IS TO ESTABLISH A SUPPLEMENT TO GOLD AND DOLLARS IN ORDER TO MEET A SHORTAGE IN GLOBAL NEEDS FOR RESERVES. ANOTHER OUTSTANDING FEATURE OF DISCUSSION WAS STRONG IMPRESSION MADE BY IMF EXECUTIVE DIRECTORS FROM NON-G-10 COUNTRIES THAT ALL MEMBERS OF IMF SHOULD RECEIVE THE SAME TYPE OF RESERVE ASSET AND PARTICIPATE ON EQUAL TERMS IN THE FINANCING, OBLIGATIONS, AND RESPONSIBILITIES. WAS ALSO GENERALLY FELT THAT A FORMULA FOR ALLOCATION OF RESERVES AMONG COUNTRIES COULD BE FOUND WITHOUT DIFFICULTY, PROBABLY ON THE BASIS OF IMF QUOTAS OR SOME VERY SIMILAR FORMULA.

EARLY IN THE SESSION FRENCH URGED THAT OTHER TOPICS AS ALTERNATIVES TO DELIBERATE RESERVE CREATION BE CONSIDERED BY THE JOINT MEETINGS. THIS CALL FOR A BROAD AND DIFFUSE AGENDA WAS NOT ACCEPTED BY EITHER DEPUTIES OR EXECUTIVE DIRECTORS. THERE WAS A CLEAR CONSENSUS TO PROCEED WITH SUBJECT OF RESERVE CREATION WITHOUT BEING DIVERTED.

NEXT JOINT MEETING SCHEDULED FOR JANUARY 25-26, 1967 IN LONDON. PROSPECTS FOR CONTINUED HARMONIOUS COOPERATION BETWEEN EXECUTIVE DIRECTORS AND DEPUTIES OF TEN ARE VERY GOOD.  
KATZENBACH

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