



85

## DEPARTMENT OF STATE INSTRUCTION

CONFIDENTIAL  
(Security Classification)

ACT	INFO	INIT	DATE
	✓	BO	1/6
	✓	FOR RM/R USE ONLY	1/13
		ECO	
		ADM	
		ACC	
		PAC	1/7
		FILE	
ACTION TAKEN			

NO.: CW-5379 January 9, 1962

SUBJECT: Weekly Summary of Events

TO: ALL ARA DIPLOMATIC AND CONSULAR POSTS, CINCARIB (FOR POLAD)

This Summary of Events for the week ending January 5, 1962 is being sent to recipient posts for information only.

1. Argentina: One-Year Extension of \$50 Million Exchange Agreement - Henry H. Fowler, Acting Secretary of the Treasury, and Emilio Donato del Carril, Ambassador of Argentina, today signed a one-year extension of the \$50 million Exchange Agreement between the United States Treasury and the Government and Central Bank of Argentina, which had been in force during 1961. The agreement is designed to assist Argentina in its continuing efforts to promote economic stability and freedom in its trade and exchange system. Exchange operations on the part of the Argentine authorities will be for the purpose of maintaining an orderly foreign exchange system. Under the Treasury Exchange Agreement, Argentina may request the United States Exchange Stabilization Fund to purchase Argentine pesos. Any pesos acquired by the United States Treasury would subsequently be repurchased by Argentina with dollars. With the purpose of assisting the Argentine Government in continuing its stabilization efforts, by providing currencies that may be used for the maintenance of an orderly exchange market, the International Monetary Fund on December 8, 1961, announced a standby arrangement with Argentina in the amount of \$100 million. (UNCLASSIFIED)

2. Chile: Foreign Exchange Crisis with Political Complications - The Radical Party, key element in the Alessandri Government, threatens to withdraw if the Government devalues the escudo to meet the current foreign exchange crisis. (Exchange transactions were suspended December 27, following a four-day run on reserves which already were quite thin, the Government of Chile stating the market would reopen January 8 with no change in the dollar-escudo rate, but with several as yet undetermined control measures to be applied--possibly including multiple rates.) The Government of Chile has requested urgent US Government assistance in providing US\$35 million in exchange, from funds

CONFIDENTIAL  
(Security Classification)

DRAFTED BY:

ARA:JRHolway:18

CLEARANCES:

EST - Mr. Moskowitz

APPROVED BY:

ARA - Mr. Romano

Contributors:

JRHolway/RWRichardson

DECLASSIFIED  
Authority NND 53328

CONFIDENTIAL  
(Security Classification)

funds available from the US\$100 million earthquake reconstruction loan granted in mid-1961.

The Radical position is that a devaluation would be regarded by the public as admission of failure of the Alessandri stabilization program, supported by the Radicals, and would set off a new wage-price spiral because of the impact on the cost of living. This train of events, plus the fact that the Radicals thus far have not been able to push through promised agrarian and tax reforms, allegedly would be so damaging to the Radicals that they could not win the Presidency in 1964.

We have informed the Government of Chile of our desire to help, but that we first must have more detailed information on the situation from an IMF mission due to arrive in Santiago January 5. Our position is that while it may be necessary, due to immediate political considerations, to provide some emergency assistance to the Government of Chile, we are not prepared to act until some minimal commitments are obtained from the Government of Chile on exchange policy and general fiscal policy. We also plan to use this situation as an opportunity to emphasize the importance we attach to Chile's proceeding with the "reform" measures recognized by the Government of Chile itself as required for economic and social progress. (CONFIDENTIAL)

3. OAS: Argentine Position on Cuba Noted - After meeting with President Frondizi and certain non-official Argentines who exert a strong influence on Frondizi, a Department official reports that the essence of the Argentine position for the forthcoming Meeting of Foreign Ministers (MFM) is that sanctions are impossible because they are unacceptable to Brazil, Chile and certain other countries and that to force such sanctions would be to disrupt the inter-American system. The Argentines claim that it is vital to have a united front on this question because a serious division between the large Latin nations on the one hand and the small nations plus the United States on the other would be a serious defeat for American policy and a victory for Castro. Our Embassy states that it continues to hear reports that the military--particularly the Navy--is very much aroused over the possibility of a weak Argentine stand at the MFM. (CONFIDENTIAL)

4. Venezuela: Split in AD Seen Serious - A younger dissident element of the Democratic Action (AD) Party is battling with the Old Guard AD in a power struggle over control of the Party. Two National Directive Committees (CDN)--each claiming to be authentic--held meetings recently. The situation is serious and could become critical, particularly in view of the fact that the Old Guard, even with Betancourt in attendance, was not able to make a dominant showing in its CDN meeting. Embassy Caracas believes, however, that the latter group will come out on top for a number of reasons, but that the Party will be considerably weakened, at least temporarily. The reasons are that the majority of experienced leaders are with the Old Guard; even the ARS group supports the Betancourt Government; the purse strings are in the hands of the Old Guard; and the fight is principally for power rather than on ideological grounds and Betancourt, with his political skill and the government under his control, still holds the strongest cards. (CONFIDENTIAL)

RUSK

CONFIDENTIAL  
(Security Classification)

DECLASSIFIED  
Authority NNN 53328