

DEPARTMENT
OF
STATE

OUTGOING
TELEGRAM

Mike
DIVISION OF
CENTRAL SERVICES
TELEGRAPH SECTION

Paraphrase before communication except Government Agencies.

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1946 MAR 1 AM 9 24

February 21, 1946

7 p. m.

~~Brilliant~~

Fund

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CARACAS

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info

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Monetary Fund Agreement, Article VIII, Section 3, pro-

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vides that members shall not engage in multiple currency

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practices except as authorized by Fund Agreement or ap-

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proved by Fund. If Venezuela joins, Fund would need to

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determine whether the multiple currency arrangement was

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contrary to purposes of Fund. Fund would, no doubt, be

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reasonable and cooperative in arrangements whereby Vene-

zuela can work out its problem. REF URTEL 95, Feb. 1946

and despatch 8336, Jan. 26.

Even if Fund should insist on ultimate abandonment of Venezuela's multiple currency arrangements, she would not (REPEAT NOT) be required to abandon present practices immediately. Instead, Venezuela would be asked to consult with Fund regarding progressive removal of those currency arrangements found objectionable by Fund. Venezuela would, in any event, be accorded reasonable time to work out her problem and make the necessary internal adjustments arising from discontinuance of such arrangements.

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#94, February 21, 7 p.m. to Caracas arrangements. Attention is invited to Article VIII, Section 3 and Article XIV. If Venezuela joined Fund and later determined satisfactory arrangements could not be worked out with Fund, she could, of course, withdraw at any time.

Fund Agreement has no provisions for a country to accept membership with reservations and all countries signing have accepted its provisions without any qualification. The United States will request certain interpretations but it is definitely understood that our acceptance of membership was not conditional upon Fund's decision on these matters of interpretation.

Venezuela could not negotiate for adherence to Fund prior to Savannah Conference since neither Fund nor Bank will have any officers prior to then. United States officials in Washington will, of course, be glad to discuss matter with Venezuela.

Venezuela representatives can present their position fully to Fund Board of Governors at Savannah ^{but} ~~by~~ ~~the~~ ~~Board~~ ~~of~~ ~~Governors~~ have no power to alter provisions of Fund Agreement.

In our

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#94, February 21, 7 p.m. to Caracas

In our opinion Venezuela should not attempt to seek membership with reservations. We are equally doubtful that she should attempt to negotiate a satisfactory arrangement with Fund Board of Governors at Savannah.

Instead we suggest following procedure:

(1) At Savannah, Venezuelan representatives should inform Fund that their country wishes to accept membership in Fund and Bank without reservation.

(2) They should point out to Fund Board of Governors that Venezuela has a difficult multiple exchange rate problem; that in adhering to Fund, Venezuela does so in expectation that it will be possible for her and Fund to work out a mutually satisfactory solution to problem; but that if this should prove impossible, Venezuela will feel free to withdraw if her interests should so dictate.

We feel such a course will permit Venezuela to join promptly and at same time fully protect her interests. It also has advantage of not necessitating immediate decision on part of Fund Board of Governors before Fund technical

staff

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#94, February 21, 7 p. m. to Caracas
staff has had opportunity to study problem carefully
and discuss fully with appropriate Venezuelan officials.

BYRNES
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(JPY)

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2/20/46

OFD
Mr. Collado

FN