

The President's Daily Brief

December 27, 1976

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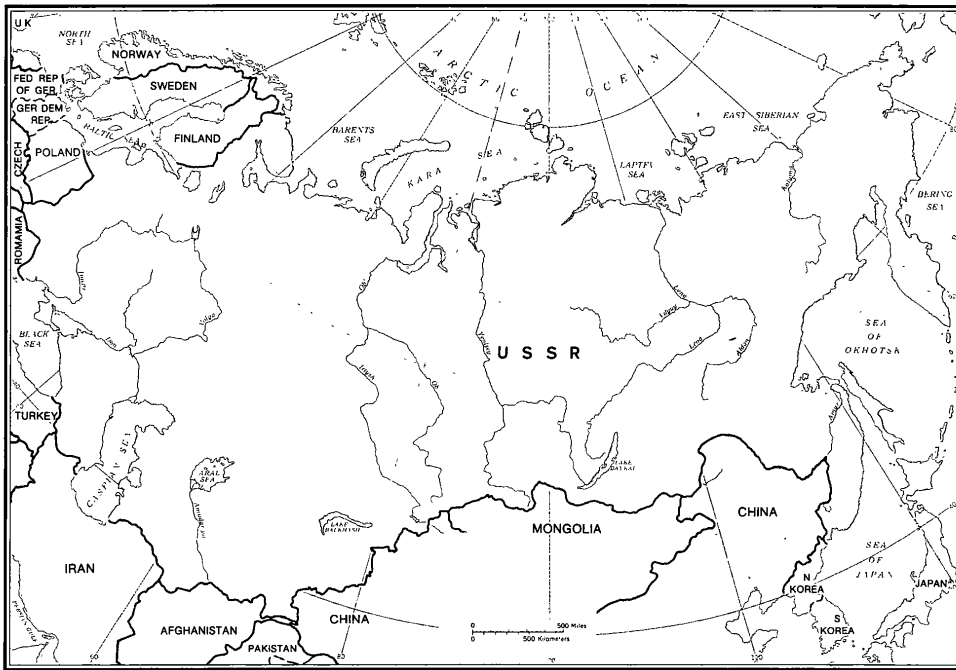
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USSR-EC-JAPAN: The Soviet declaration of a 200-mile offshore fishing zone, effective December 10, is forcing the European Community to reconsider its external fishing policy. Japan, which takes about 10 percent of its total catch from waters off the Soviet Far East, has protested the Soviet move.

West Europeans fish both the Baltic and Barents seas--areas now in the Soviet zone. The USSR has not ratified an agreement--recently reached in Warsaw--establishing catch quotas in the Baltic Sea for 1977.

The EC's decision to establish its own 200-mile economic zone, effective January 1, does not apply to the Baltic.

EC foreign ministers have stated that the Soviets may continue fishing off the coastlines of EC members until March 31. The permitted take, however, will be reduced to 40 percent of the average Soviet catch over the last ten years.

The EC and the USSR will have difficulties, in addition to those over the substance of an agreement, in working out arrangements that will apply after March. The USSR does not recognize the EC, but the EC now requires Community members to negotiate as a unit on economic affairs.

The USSR has promised Japan early bilateral negotiations to work out a fishing agreement.

The Soviet declaration may help convince the Japanese public of the inevitability of the 200-mile zone. This would permit the Japanese government to accelerate the pace of fishing negotiations with the US and begin talks with other countries.

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Some 33 Japanese companies have
invested in US companies whose
operations are related to fishing
in an effort to circumvent re-
strictions posed by the US 200-
mile limit.

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NOTE

*The head of the Portu-
guese central bank has
expressed concern to
US officials about
Portugal's foreign re-
serve position.*

He stated that foreign exchange holdings now amount to only \$79 million, having fallen by \$60 million since December 1. Since April 1974, despite heavy official borrowing, the country has lost reserves at an estimated rate of \$42 million per month.

Portugal can increase the amount of its ready cash by drawing from loans granted by European central and commercial banks. Large trade credits will mature in the next six weeks, however, thereby reducing foreign exchange holdings again.

Portugal declines to sell its large gold holdings, fearing that such action would frighten present and potential lenders. Lisbon also rejects another obvious course--the floating or devaluation of its currency.

The Portuguese government will begin discussions in January with the International Monetary Fund and with two other unspecified sources for credits that would total \$135 million.

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