

M E M O R A N D U M

TO: Council, SSC, and AP Members  
FROM: Jim H. Branson *JHB*  
Executive Director  
DATE: March 22, 1984  
SUBJECT: Soviet direct allocation

*ACTION REQUIRED*

*Consider a direct allocation for the USSR.*

BACKGROUND

Burt Larkins of Marine Resource Company has solicited the Council's support for a directed allocation of 50,000 mt for the USSR. His letter plus others relating to this topic are under this tab. The last letter is one I wrote to the then Secretary of State Haig in June 1982 recommending small direct allocations for Poland and the USSR. If you concur, I can draft another letter in support of a small direct allocation which would place the Council on the record for the 1984 fishery.

RECEIVED FEB 3 1984



# Marine Resources Company

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January 18, 1984

Mr. Jim Branson  
Executive Director  
North Pacific Fishery Management Council  
P. O. Box 3136 DT  
Anchorage, AK 99510

Dear Jim:

On behalf of Marine Resources Company and the more than 40 American trawl vessels that are now associated with our joint venture groundfish fisheries, I am writing to solicit your support for a 50,000 metric ton (MT) directed allocation for the USSR in 1984. That allocation would be for the sole purpose of providing for growth in our several U.S.-U.S.S.R. joint venture operations in the North Pacific Ocean.

By way of background, Marine Resources Company (MRC) was incorporated in the State of Washington in 1976 as a fishing and fish product marketing partnership which is owned jointly and equally by Bellingham Cold Storage Company (a privately-owned Washington company), and "Sovrybflot" (a commercial corporation of the Soviet Ministry of Fisheries). The Company's fishing operations range from central California to the Bering Sea. We are now the nation's largest buyer of bottomfish from U.S. fishermen.

Basically, the Company:

1) contracts with American fishermen to catch those species of fish which are not otherwise fully utilized by the domestic fishing industry (primarily Pacific whiting, Alaska pollock, yellowfin sole, Atka mackerel, and Pacific cod);

2) arranges for the catches to be delivered directly to Soviet processing vessels on the fishing grounds in return for barter credits which MRC redeems in the form of fishery products (either from the fish caught off the U.S. or from fish taken elsewhere in the world by Soviet fishermen); and

3) markets those barter products in some 17 foreign countries and the United States.

After 6 years of substantial growth, the MRC fisheries in 1983 accounted for a catch by 45 American trawlers of about 160,000 MT (over 350 million pounds) and ex-vessel payments to those fishermen of over \$25 million.

The potential for continued growth of the MRC operation is great with well over one million metric tons of the species of interest to us still unused by the domestic fishing industry and, therefore, allocated to foreign fishermen. There is, however, one serious impediment to our taking further advantage of that potential.

Following the Soviet invasion of Afghanistan, one of the sanctions imposed on the USSR in 1980 was the loss of sizeable directed allocations to the Soviet fishing fleet. Therefore, even though Soviet processing vessels were allowed to continue their participation in our joint venture operations, they could no longer catch fish on their own within the U.S. 200-Mile Fishery Conservation Zone.

Although we were still able to provide markets to U.S. fishermen, and, in fact, increase our joint venture fisheries under that condition, the costs of doing so increased substantially. Now, however, we find that while we can continue to operate at the 1983 level of about 160,000 MT, we will be able to expand substantially beyond that level only if the USSR receives a small, directed allocation to complement its current processing-only role in the joint venture fisheries.

As it stands now, we must be very conservative in arranging for Soviet processing vessels for fear of having them stand idle at our expense when fishing is slow for the American trawlers or when severe weather forces those relatively small boats from the grounds. This, unfortunately, also results in our having to place those American trawlers on catch limits when fishing is good because of the limited processing capacity on hand.

With their own small, directed allocation, the Soviet vessels, which have a fishing as well as processing capability, could shift to fishing on their own allocation to supplement the joint venture catches when fishing is slow or the weather too bad for U.S. trawlers to operate, thus relieving us and the Soviet vessel owners of expensive down-time. In effect, we could then arrange to have the optimum -- rather than minimum -- processing capacity on hand for the joint venture fisheries.

We estimate that a directed allocation to the USSR would result in at least a ton-for-ton increase in joint venture catches; i.e. a 50,000 MT directed allocation to the USSR would result, in the same year, in a minimum increase in our joint venture total catch from 160,000 to 210,000 MT, sorely needed market opportunities for 10-15 additional West Coast trawlers, and an increase in ex-vessel proceeds to the participating U.S. fishermen of something in excess of \$8 million.

An appropriate breakdown of the proposed 50,000 MT total allocation would be:

Pacific whiting (California-Washington)	20,000 MT
Flounders, primarily yellowfin sole (Bering Sea)	20,000 MT
Atka mackerel (Aleutians)	5,000 MT
Other groundfish species, as by-catch (Bering Sea and Aleutians)	5,000 MT

An allocation of the size proposed would not, in our judgment, undermine the intent of the Administration's policy in that: (1) it would be less than 10 percent of the pre-1980 Soviet allowance (540,000 MT in 1979); and, (2) given the overall magnitude of the Soviet ocean catch of some 8 million MT, the 50,000 MT allocation we are seeking would have a miniscule effect on the Soviet fishery economy. On the other hand, the projected \$8 million increase in ex-vessel payments to California, Oregon, Washington, and Alaska fishermen would have a substantial positive impact on our fishing industry and regional economy.

We and the scores of Pacific Coast trawl fishermen who have applied to us for a market would sincerely appreciate your consideration of the 50,000 MT directed allocation we propose for the USSR. With your support, we believe we can continue to offer expanded domestic fishing opportunities throughout the North Pacific Ocean and provide alternatives to the several depressed and overcapitalized traditional groundfish and shellfish fisheries of the Northwest and Alaska -- in short, we will be able to continue playing a major role in improving the economic viability of the West Coast commercial fishing industry.

If you have any questions about this proposal or about our operations in general, please contact me at (206) 285-6424.

Yours truly,



H. A. Larkins  
Vice President and General Manager

HAL:kb

**DON YOUNG**  
CONGRESSMAN FOR ALL ALASKA

WASHINGTON OFFICE  
2331 RAYBURN BUILDING  
TELEPHONE 202/225-5765

COMMITTEES:  
INTERIOR AND INSULAR  
AFFAIRS  
MERCHANT MARINE AND  
FISHERIES

RECEIVED JAN 31 1984

**Congress of the United States**

**House of Representatives**

**Washington, D.C. 20515**

January 18, 1984

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Honorable Ronald Reagan  
President of the United States  
The White House  
1600 Pennsylvania Avenue NW  
Washington, D.C. 20500

Dear Mr. President:

On January 16, 1984, you addressed the people of the United States from the White House on the subject of our relations with the Soviet Union. In your talk, you proposed that our government and the government of the Soviet Union make an effort to make progress in three areas: finding ways to reduce the use of force in solving international disputes; finding ways to reduce the stockpile of armaments; and establishing a better working relationship. It is in regard to this third task that I write you today.

Since 1978, U.S. and Soviet fishermen have quietly but successfully engaged in a business relationship in the waters off the Pacific Northwest and Alaska. During this time, the Soviet Union has provided a market for fish harvested by U.S. fishermen when no domestic market was available. These joint venture operations have been profitable for both sides and - especially during this time of declining traditional fish stocks - have provided employment for U.S. citizens while contributing to the development of the U.S. fishing fleet. The Soviet vessels and crews involved have scrupulously followed our laws and regulations and have a better record in this regard than Japan and the Republic of Korea.

Unfortunately, this successful example of cooperation is in jeopardy. When the Soviet Union invaded Afghanistan, President Carter responded with a number of economic sanctions, including a curtailment of Soviet fishing privileges in our Exclusive Economic Zone. While most of those sanctions have been lifted - including the embargo on grain sales - the Soviet Union has yet to be granted a directed fishing allocation. As a result, the number of Soviet vessels

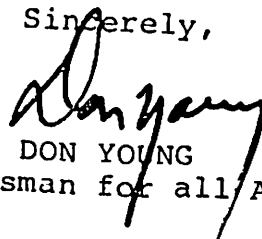
available to purchase fish from U.S. fishermen has remained small. This not only restricts our fishermen from selling their catch to this particular market, but also limits the number of markets available. At some point in the future, domestic processors may be able to handle the entire U.S. harvest; for the present, however, the joint venture market is the only one available.

To further complicate our fisheries relationship with the Soviet Union, the existing U.S./U.S.S.R. Governing International Fishery Agreement has not been renegotiated since 1977; instead, it has twice been extended for 1 year periods. This not only leads to uncertainty in business relationships, but also has kept in place a fishing agreement that is less favorable to the United States than similar agreements with other countries, including East Germany, Bulgaria, and Romania.

Mr. President, if you are serious about building a constructive working relationship and engaging in constructive cooperation with the Soviet Union, you can make a strong start by improving our fisheries relationship with the U.S.S.R. You can authorize the release of a directed fishing allocation to the Soviet Union, based on those criteria in U.S. law which specify that allocations can be considered for those countries which provide benefits to the U.S. fishing industry in terms of the purchase of fish and fish products. You can instruct the Department of State to begin immediately to renegotiate our fishing agreement with the Soviet Union on terms more favorable to the United States and for a longer period of time. You can seek reciprocal fishing rights for U.S. fishermen in the Soviet 200 mile fisheries zone. While these may be small steps in our overall quest for world peace, they will certainly send a signal to the Soviet Union that we are serious about building a better working relationship while still promoting U.S. interests.

I have strongly supported - and will continue to support - the steps you have taken to maintain a strong national defense. However, I share your desire for a peaceful working relationship with the Soviet Union and I think that in this area - fisheries - we can make a good start.

Sincerely,



DON YOUNG  
Congressman for all Alaska

DY:rhm

# North Pacific Fishery Management Council

James O. Campbell, Chairman  
Jim H. Branson, Executive Director

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March 7, 1984

H.A. Larkins  
Vice President/General Manager  
Marine Resources Company  
192 Nickerson, Suite 307  
Seattle, Washington 98109


Dear Burt:

My apologies for not responding to your letter of January 18 sooner. It didn't arrive until February 3, so we missed the January-February Council meeting. I will include it as an agenda item for the March Council meeting so that the Council will be able to discuss the question of a direct allocation for the Soviet Union.

It's been a while since the Council has addressed this issue. In the past when they've done so they have been in favor of a small directed allocation in order to further the efficiency of joint ventures with American fishermen. I am enclosing a letter to Secretary of State Haig on June 10, 1982 that I sent at the direction of the Council. It addresses the allocation issue and urges the then-Secretary to give the Soviets a small direct allocation. It did not address the GIFA problem.

I am sure the Council would be interested in some elaboration of your argument in which you say that you will be unable to expand your joint venture operations beyond the 1983 level of 160,000 mt unless the USSR receives a small directed allocation to complement its current processing-only role. Why is the sticking point 160,000 mt? Are there instances, and it would be useful to hear them, where Soviet processors have not been able to operate because American fishing vessels couldn't supply product, yet at the same time fishing would have been feasible for the Soviet processors/trawlers?

Best regards,

  
Jim H. Branson  
Executive Director

enclosure

# North Pacific Fishery Management Council

James O. Campbell, Chairman  
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March 13, 1984

The Honorable Ted Stevens  
United States Senate  
147 Russell Office Building  
Washington, DC 20510

Dear Ted:

The Council received a letter from Marine Resources Company similar to that written to you on January 18. In the letter they request Council support for a direct allocation to the Soviet Union of 50,000 tons to increase the efficiency of their joint venture operations off Alaska and Oregon.

The question will be on the Council's agenda March 28-30. I responded to MRC's request with the enclosed letter and a copy of an earlier letter from the Council to then-Secretary of State Haig on the same subject. The Council has gone on record in the past as supporting small direct allocations to improve joint venture operations as you will note from that correspondence.

I will report the Council discussion and recommendation to you promptly after the March meeting.

Sincerely,



Jim H. Branson  
Executive Director

enclosures



# North Pacific Fishery Management Council

Clement V. Tillion, Chairman  
Jim H. Branson, Executive Director

Suite 32, 333 West 4th Avenue  
Post Office Mall Building



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June 10, 1982

Honorable Alexander Haig  
Secretary of State  
U.S. Department of State  
Washington, D.C. 20520

Dear Secretary Haig:

The North Pacific Fishery Management Council is charged with the development of a fishery management regime off Alaska as well as the development of a U.S. industry on those fishery resources now unutilized by the United States. In furtherance of that responsibility, the Council has encouraged joint ventures by foreign processing ships with American fishermen in the Bering Sea and Gulf of Alaska as an immediate way to increase U.S. participation in the bottomfish fishery.

The nation which has had the most successful joint ventures off Alaska, from the standpoint of the American fisherman, is the Soviet Union. This is in spite of the fact that they have not had a direct allocation to fish off the United States since their invasion of Afghanistan. Poland is in somewhat the same situation, although their history of joint ventures with American fishermen is much shorter than that of the Soviets. They bought a few fish in 1981, but they are currently engaged in buying fish from American fishermen off Alaska with a target figure of some 23,000 mt for this year. They, of course, do not have a direct allocation either. That ended with the imposition of martial law last winter.

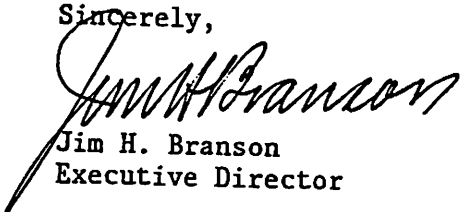
The Council believes that both the Soviet Union and Poland should be given a small direct allocation that would allow them to bolster those joint ventures. The Council feels this direct allocation should be large enough to allow them to fish when, for one reason or another, American fishing vessels are unable to deliver to them, so they can keep their processing operation going and insure that they will continue to engage in joint ventures with our fishermen.

Other arguments can be made for direct allocations, such as use of food as a strategic resource, increasing Eastern bloc willingness to buy surplus salmon from American fishermen, and as a clear notice to countries that are not participating in joint ventures to the degree we believe they should. Japan, for instance, which has a direct allocation of well over one million tons a year, expects to buy only 60,000 tons from American fishermen this year. Congressman Don Young's letter to you of May 26 on this subject sums up those arguments very well.

Secretary Haig  
June 10, 1982  
Page Two

In summary, Mr. Secretary, the Council asks that both the Soviet Union and Poland receive a small direct allocation as long as they continue to participate in joint ventures with American fishermen. Thank you for your consideration of this recommendation.

Sincerely,

  
Jim H. Branson  
Executive Director

cc: Don Young  
Ted Stevens  
Frank Murkowski  
John Donaldson  
Rolland Schmitten  
Joe Greenley, Pacific Council  
Philip R. Fuller