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The President's Daily Brief

February 26, 1976



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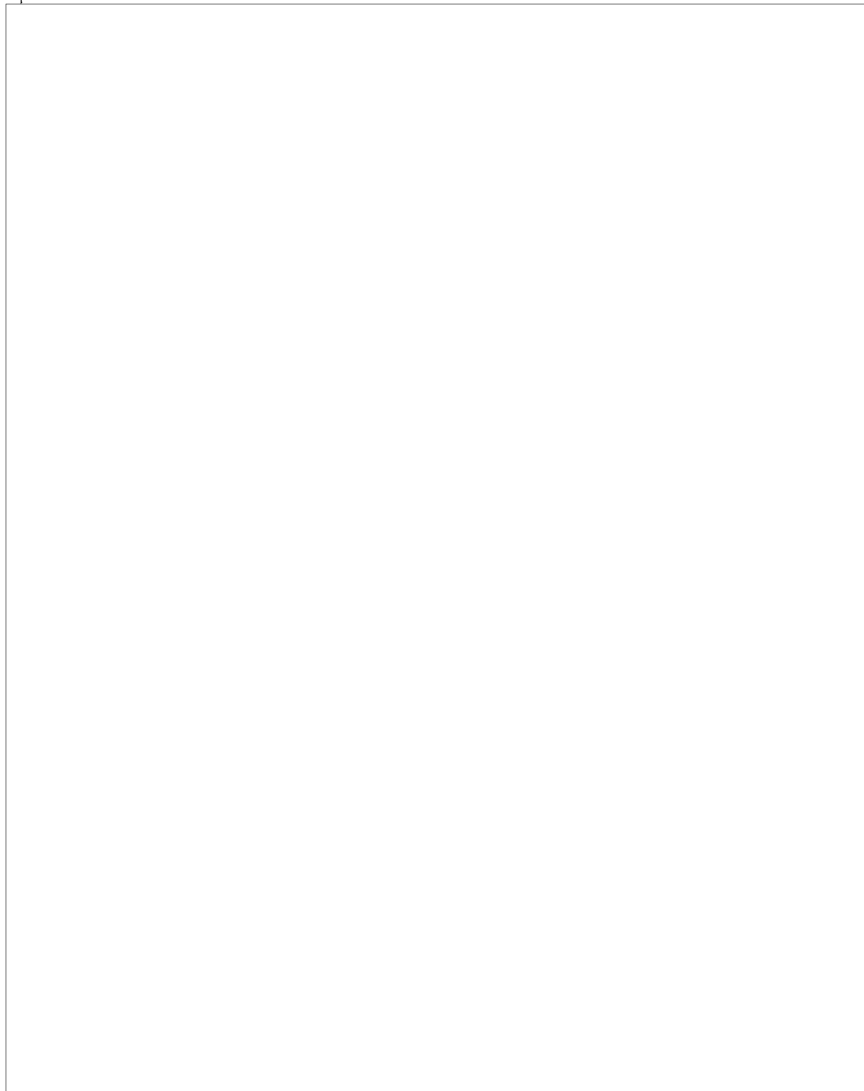
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THAILAND

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FRANCE

France has decided to postpone devaluation of the franc relative to other currencies in the European joint float until fall

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Paris apparently opted for the delay because West Germany has refused to couple a revaluation of the mark with a franc devaluation.

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French inflation--running two to three times the West German rate--has reduced the competitiveness of French exports. With economic recovery getting under way, French current account balances are likely to deteriorate by roughly \$4 billion this year. These factors, combined with a spillover from the recent run on the lira, have pushed the franc toward the bottom of the European joint float.

Having decided on the necessity of devaluation, Paris had hoped to convince West Germany to revalue the mark at the same time. At their meeting last week, West German Chancellor Schmidt told French President Giscard that for the present Germany would not revalue. Giscard hopes to persuade Bonn to revalue after the German elections in October.

Market pressures could still force Paris to devalue unilaterally before fall. The run on the franc in late January and early February cost Paris about \$2 billion in foreign exchange reserves. Deterioration in France's trade position or continuing problems with inflation could trigger further speculative pressure within the next few months.

NOTES

A special British envoy is currently in Rhodesia to determine if Prime Minister Smith is prepared to advance quickly toward majority rule.

Foreign Secretary Callaghan has sent a personal message to black nationalist leader Joshua Nkomo to try to reassure him that London has no intention of striking a deal with Smith that would undermine the nationalists' position. There have been some indications that London would be willing to provide financial assistance to ease the transition to majority rule if a breakthrough were to occur in the stalemated negotiations.

* * *

Lebanon's socialist leader Kamal Jumblatt, [redacted], reportedly has agreed to participate in a coalition cabinet. His acceptance may clear the way for a new government.

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The Christians, nevertheless, still are concerned over the extent of leftist participation in the government. The Christians are fearful of the close alliance between the Palestinians and the Lebanese far left and are worried that Syria will relax its tough attitude toward both groups.

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Spain's role as co-administrator of Spanish Sahara under the tripartite agreement it concluded with Morocco and Mauritania formally ends on Saturday.

The legal status of the territory remains a contentious issue, however, because, even though Morocco has set up an extensive administrative apparatus in the Sahara, Spain insists that transferring administrative control does not resolve the question of sovereignty. Algeria has pressured Madrid to maintain its legal responsibility as the administering state of a non-self governing territory. Algiers continues to demand a referendum on self-determination and wants the Sahara dispute discussed in the UN.

The situation in Spanish Sahara has been calm this week, although Polisario guerrillas reportedly have harassed Moroccan forces in a few scattered areas. Guerrilla activity may increase as the date for the Moroccan-Mauritanian takeover approaches.

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