

**[Camp David 7/5/79-7/12/79] [3]**

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THE WHITE HOUSE  
WASHINGTON

7/9/79

Jack Watson

The attached was returned in  
the President's outbox today  
and is forwarded to you for  
your information.

Rick Hutcheson

Original has been given to  
Bob Linder for action.

cc: Bob Linder

THE WHITE HOUSE

WASHINGTON

July 6, 1979

MEMORANDUM FOR THE PRESIDENT

FROM:

JACK WATSON *Jack*

SUBJECT:

Extension of Florida Energy  
Emergency Declaration

Governor Graham has requested an extension of your June 4 determination that a regional energy emergency continues to exist in Florida such that temporary suspension of air pollution requirements in that State was the only viable remedial action immediately available. Your determination expired by its terms July 4, 1979.

- o Governor Graham has exercised care and restraint in granting suspensions under your original determination. The national air quality standards for health and welfare have been met, with a substantial safety margin, throughout the suspension period.
- o Governor Graham's original request was for an indefinite extension under the conditions of your original determination, expanded to include the authority to suspend sulfur dioxide, as well as opacity and particulate requirements. After consultation with EPA, however, both the Governor and EPA agree that an extension until October 15, 1979, and an amendment to Florida's Clean Air Act Implementation Plan, will be sufficient. During the period between now and October 15, 1979, Florida and EPA will continue to work on alternatives for longer-term relief should that become necessary.
- o The extension would allow oil-fired electric generating plants to burn supplies of non-conforming oil already on hand and to purchase additional non-conforming oil to replace the expected shortfall of conforming fuel oil.

- o EPA recommends granting an extension until October 15, 1979, and will continue to closely monitor the Florida situation.
- o A Presidential statement granting an extension to October 15, 1979, under the same conditions as the original determination, and expanded to include sulfur dioxide, has been prepared, and I recommend that you grant the extension.
- o OMB concurs in this recommendation.

Attachment

THE WHITE HOUSE

WASHINGTON

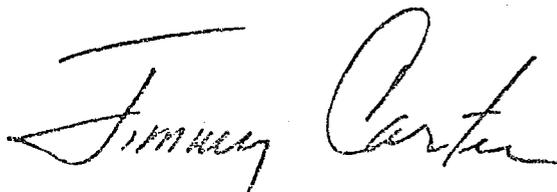
July 6, 1979

MEMORANDUM FOR THE ADMINISTRATOR OF THE  
ENVIRONMENTAL PROTECTION AGENCY

Based on a request submitted to me by the Governor of the State of Florida to extend my June 12, 1979 determination that a regional energy emergency continues to exist in the State of Florida of such severity that a temporary suspension of certain air pollution control regulations which apply to fossil-fuel fired electric generating plants under the Florida Air Quality Implementation Plan may be necessary, and that other means of responding to the energy emergency may be inadequate, I hereby extend that determination from July 5, 1979, to and including October 15, 1979. This extension is limited by the same conditions as my original determination and is expanded to include any necessary temporary suspension of sulfur dioxide as well as opacity and particulate requirements.

If, during the extension, I find that a regional energy emergency no longer exists in Florida, I will direct that this extension be rescinded, and that all suspension orders issued by the Governor be terminated on the day of that rescission. Please continue to work with State officials to monitor carefully the residual oil supply in Florida and to inform me if the emergency should cease to exist. You will continue to retain full authority to disapprove temporary suspension of regulations in Florida and to exercise your emergency powers authority under Section 303 of the Clean Air Act, when and if necessary. It is important to keep suspensions to an absolute minimum since Section 110(f) of the Clean Air Act limits each suspension to a maximum duration of 120 days.

While my determination permits the temporary suspension of certain emission limiting requirements, it in no way permits the suspension of any national ambient primary or secondary air quality standard. Protection of these national health and welfare protective standards is consistent with Governor Graham's petition, and I commend him for his past restraint in using the authority to suspend some air pollution requirements. (This determination shall be published in the Federal Register.)



UNCLAS

THE WHITE HOUSE

WASHINGTON

July 10, 1979

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for Preservation Purposes

MEMORANDUM FOR THE PRESIDENT

FROM:

DAN TATE *Dan*

SUBJECT:

Senator Helms and Bishop Muzorewa's Visit

I visited with Senator Helms in his office this afternoon and he decided that he should not accompany Bishop Muzorewa to Camp David on Wednesday.

I told him that his goal would be more difficult to attain if he went with Muzorewa because his presence would be publicized and would undoubtedly result in charges that a "deal" had been made between you and him. Accordingly, those in the Senate and House who have supported our policy and opposed the one he (Helms) promoted might feel we had pulled the rug out from under them. He understood that point and said he realized that he was a "red cape" to many who supported our policy and who would have to be brought along if and when we lifted sanctions.

He asked if he could say, if asked by the news media, that he suggested that he not accompany Bishop Muzorewa and that he had communicated this suggestion to me. I told him yes.

He also asked if it would be possible for him to talk with you by telephone this evening (Tuesday) and I told him that I thought it would be possible either Tuesday evening or Wednesday morning. While I suspected that you did not relish the thought of such a conversation in the middle of the other important matters you are attending to, I felt it was a relatively small price to pay for avoiding more problems involving our Rhodesia policy.

Senator Helms believes he is accommodating you and is improving the chance of an early lifting of sanctions. However, by not accompanying the bishop, he loses face somewhat in the eyes of the media and has his role as Muzorewa's unofficial ambassador eroded to some extent. Muzorewa looks to him for guidance and was almost certainly counting on the Senator to be at his side at Camp David.

Finally, I told Senator Helms that you very reluctantly agreed to even let me approach him on this subject because of the previously agreed-upon arrangement under which Helms would be the sponsor of the Muzorewa visit. I told the Senator that the idea of his not accompanying the bishop was entirely mine. In case he rejected

UNCLAS

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the idea, I did not want you closely associated with it.

The Senator's request to talk with you by telephone is prompted by his commitment to Prime Minister Thatcher to convey a message to you. He views this as a personal commitment and would like to deliver the message to you directly. He gave me no indication of the subject. He can also be expected to raise the Rhodesia question and will probably want to give you his suggestions for dealing with Muzorewa. I am sure that after your conversation, he will be in touch with the bishop.

Senator Helms is an early riser and could take your call whenever convenient for you Wednesday, assuming you decide to call him as requested.

UNCLAS

THE WHITE HOUSE  
WASHINGTON

7/10/79

Arnie Miller

The attached was returned in  
the President's outbox today  
and is forwarded to you for  
your information.

Rick Hutcheson

2933

FOR ACTION  
FYI

	FOR STAFFING
	FOR INFORMATION
/	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND
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	LAST DAY FOR ACTION

	VICE PRESIDENT
	JORDAN
	EIZENSTAT
	KRAFT
	LIPSHUTZ
	MOORE
	POWELL
	RAFSHOON
	WATSON
	WEXLER
	BRZEZINSKI
	MCINTYRE
	SCHULTZE
	ADAMS
	ANDRUS
	BELL
	BERGLAND
	BLUMENTHAL
	BROWN
	CALIFANO
	HARRIS
	KREPS
	MARSHALL
	SCHLESINGER
	STRAUSS
	VANCE

	ARONSON
	BUTLER
	H. CARTER
	CLOUGH
	CRUIKSHANK
	FIRST LADY
	HARDEN
	HERNANDEZ
	HUTCHESON
	KAHN
	LINDER
	MARTIN
/	MILLER
	MOE
	PETERSON
	PETTIGREW
	PRESS
	SANDERS
	WARREN
	WEDDINGTON
	WISE
	VOORDE
	ADMIN. CONFIDEN.
	CONFIDENTIAL
	SECRET
	EYES ONLY

Federal Home Loan Bank Board



1700 G Street, N.W.  
Washington, D.C. 20552

Federal Home Loan Bank System  
Federal Home Loan Mortgage Corporation  
Federal Savings and Loan Insurance Corporation

ROBERT H. MCKINNEY, Chairman

June 29, 1979

Personal

The President  
c/o The Vice President  
The White House  
Washington, D.C. 20500

Re: Appointment of Chairman of  
the Federal Home Loan Bank Board

Dear Mr. President:

I am writing you this letter in accordance with our telephone conversation of last Saturday, June 23.

On Monday morning I telephoned Arnie Miller, Director of Presidential Personnel, and told him of my desire to review with him the candidates for the Chairmanship, stating that I was available to meet with him at any time this week. He telephoned me today and asked that I write a letter expressing my views about the candidates. (copy attached)

In order to give you my best recommendation, I met with Jay Janis this week and questioned him thoroughly. I now believe that while Janis previously disagreed with certain policies of your Administration and this Bank Board relating to thrift institutions and Regulation Q, he would carry out conscientiously these policies in the future. My first choice continues to be Anita Miller for the reasons stated in the attached letter (page two), but Janis would certainly be a well-qualified, capable appointee if you should believe this to be the best decision.

My primary concern has been the unnecessary delay on this appointment for which you are held responsible but in which you have no part. I therefore hope that a recommendation is made promptly to you so that you can act upon it.

My thoughts are with you in these difficult times. I hope you will force yourself to take more time off and not let your staff schedule you so heavily. Please call me at any time if you think I can be of help. I am resigning effective tomorrow and will be working on a National basis for your reelection.

Sincerely,

Chairman

**Electrostatic Copy Made  
for Preservation Purposes**

## Federal Home Loan Bank Board



1700 G Street, N.W.  
Washington, D.C. 20552

Federal Home Loan Bank System  
Federal Home Loan Mortgage Corporation  
Federal Savings and Loan Insurance Corporation

ROBERT H. MCKINNEY, Chairman

June 29, 1979

~~Confidential~~

Mr. Arnold J. Miller  
Director, Presidential  
Personnel Office  
The White House  
Washington, D.C. 20500

Re: Chairmanship of Bank Board

Dear Arnie:

You asked today for a letter from me relative to my views on this subject so that they could be presented precisely to the President.

At your request I have interviewed a number of candidates. Among these, I find three that I think particularly well qualified: William Crotty, Jay Janis and Anita Miller. It is my understanding that Mr. Crotty is not considered a serious candidate by your office, so I will confine my views to Mr. Janis and Mrs. Miller.

I have no reservations that both Jay and Anita are well qualified for the job. Each of them has different strengths or advantages which I see as follows:

### Jay Janis

1. substantial government experience as assistant to previous HUD Secretary and currently as Under Secretary;
2. successful homebuilder;
3. broad knowledge of housing industry;
4. experience in dealing with Capitol Hill;
5. integrity, hard worker;
6. Florida resident and trade association support.

Mr. Arnold J. Miller

June 29, 1979

Page Two

Anita Miller

1. direct experience at Bank Board with no training needed on issues, personnel, et cetera, in these critical times;
2. housing background with Ford Foundation;
3. articulate leader;
4. proven dedication for Bank Board and Administration programs;
5. sensitivity to problems of consumer and civil rights groups;
6. highly intelligent, well qualified woman, with no demonstrated reason to by-pass for Chairmanship.

As I have said to you over the past few months, my first clear choice continues to be Anita Miller but I am totally open to the strengths of Jay Janis whom I have known on a regular basis ever since my coming to Washington. My only concern with Jay lies with his financial and economic philosophy, which has in the past been openly stated as divergent from mine and that of the Administration. This includes the entire area of financial reform, i.e., variable rate mortgages, asset powers for thrifts; NOW Accounts, Regulation Q, the differential, et cetera.

I have met recently with Jay and he argues forcefully that in stating these previous positions he was doing so primarily to carry out policies of his superior, Patricia Harris. This is difficult to prove or disprove, but I do believe that Jay Janis is a sincere person and that when he tells me that he would carry out present Bank Board and Administration policies in these areas, I believe him.

The primary concerns expressed about the candidacy of Anita Miller have been her lack of administrative experience and financial expertise. I have found Anita to be a very fast learner and believe that she overcomes these concerns with her strong intelligence and drive.

As you know my resignation date was June 1, which has now been extended through June by the President. My personal view is that we have gained very little information by this delay, and in fact the delay only causes unnecessary problems for the President. Of all my concerns this has certainly been paramount. The President is blamed for this delay, in which he has no part.

Mr. Arnold J. Miller  
June 29, 1979  
Page Two

I hope this letter has been helpful, and trust that my views will be expressed candidly to the President. You know my total dedication and loyalty to the President, and I know yours. If at times I appear to be overly concerned about the delay involved in this decision making process, my concern is solely for the President of the United States.

I believe in your total dedication, too, Arnie, and look forward to working with you in the months ahead. We are both candid, up-front people, and I would enjoy being of further service to you if you need me.

Sincerely,

Chairman

THE WHITE HOUSE

WASHINGTON

10 Jul 79

Stu Eizenstat  
Jerry Rafshoon  
Anne Wexler

The attached was returned in  
the President's outbox today  
and is forwarded to you for  
your information.

Rick Hutcheson



THE WHITE HOUSE  
WASHINGTON

7/5/79

Mr. President:

No comment from Rafshoon.

Rick

FOR ACTION  
FYI

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	VICE PRESIDENT
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	JORDAN
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/	EIZENSTAT
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	KRAFT
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	LIPSHUTZ
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	MOORE
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	FIRST LADY
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	PRESS
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	SANDERS
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	WARREN
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	WEDDINGTON
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	WISE
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	VOORDE
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	ADMIN. CONFIDEN.
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	CONFIDENTIAL
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	SECRET
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	EYES ONLY
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THE WHITE HOUSE

WASHINGTON

June 27, 1979

MEMORANDUM FOR: THE PRESIDENT

FROM: STU EIZENSTAT *Stu*  
ANNE WEXLER *AW*

SUBJECT: Presidential Medal of Freedom

In July you will be asked to select individuals to receive the Presidential Medal of Freedom. We recommend that you give this award to significantly more people than you have given it to in the past. The criteria for the Medal of Freedom are very broad, i.e., significant contributions to the national interest or world peace, or "cultural or other significant public or private endeavors", and the Medal may be awarded posthumously. Although there are a few other specialized awards such as the National Medal of Science, this is the only award you make as President to the general American citizenry. In the past, awards have gone to people from widely varying professions including artists, actors, writers, scientists, government officials, military generals, astronauts, doctors, labor leaders, lawyers, educators, athletes, etc. During your first two years in office you made four awards (Martin Luther King, Jonas Salk, Arthur Goldberg, Margaret Mead). We think you should award at least 10 to 15 Medals of Freedom this year for the following reasons:

- This is the only opportunity you have to make a Presidential general citizenship award to the large number of outstanding Americans who have made immensely significant contributions to American society, and to the world. As many individuals as possible should receive the recognition they deserve. Of course, this should be a truly special and limited award. But in light of the thousands who are deserving, awarding only 10 to 15 per year maintains this unique quality.
- Often, individuals who receive these awards have very wide public followings. This is an opportunity to have the public feel closer to their Government by showing that their Government appreciates those people who they so deeply respect.

THE WHITE HOUSE

WASHINGTON

DATE: 29 JUN 79

FOR ACTION:

INFO ONLY: VICE PRESIDENT

HAMILTON JORDAN

BOB LIPSHUTZ

MOORE/LES FRANCIS

JODY POWELL

JERRY RAFSHOON

FIRST LADY

JACK WATSON

SUBJECT: EIZENSTAT/WEXLER MEMO RE PRESIDENTIAL MEDAL OF FREEDOM

+++++

+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +

+ BY: L200 PM MONDAY 02 JUL 79 +

+++++

ACTION REQUESTED: CALL IF YOU WISH TO COMMENT

STAFF RESPONSE: ( ) I CONCUR.  NO COMMENT. ( ) HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

DATE: 29 JUN 79

FOR ACTION:

INFO ONLY: VICE PRESIDENT	HAMILTON JORDAN
BOB LIPSHUTZ	MOORE/LES FRANCIS
JODY POWELL	JERRY RAFSHOON
FIRST LADY	JACK WATSON
SUBJECT: EIZENSTAT/WEXLER MEMO RE PRESIDENTIAL MEDAL OF FREEDOM	

+++++

+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +

+ BY: L200 PM MONDAY 02 JUL 79 +

+++++

ACTION REQUESTED: CALL IF YOU WISH TO COMMENT

STAFF RESPONSE: ( ) I CONCUR. ( ) NO COMMENT. ( ) HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

- Although you made four awards during your first two years, Presidents Johnson, Nixon and Ford averaged 34, 10 and 20, respectively, for a similar period of time. Even if you make 20 awards this year raising your total to 24 for three years, this would be below the combined average of 32 for three years for the previous three Presidents. (52, 15 and 33 for Johnson, Nixon and Ford, respectively.)
- Making these awards is politically helpful with those constituencies who follow and respect the award recipients.

We will forward our nominees to Greg Schneiders who has been coordinating these awards. We hope you will indicate to Greg that this year you want to make more awards than in the past.

THE WHITE HOUSE  
WASHINGTON  
10 Jul 79

Jack Watson

The attached was returned in  
the President's outbox today  
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your information.

Rick Hutcheson



FOR ACTION  
FYI

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	LAST DAY FOR ACTION

	VICE PRESIDENT
	JORDAN
	EIZENSTAT
	KRAFT
	LIPSHUTZ
	MOORE
	POWELL
	RAFSHOON
<input checked="" type="checkbox"/>	WATSON
	WEXLER
	BRZEZINSKI
	MCINTYRE
	SCHULTZE
	ADAMS
	ANDRUS
	BELL
	BERGLAND
	BLUMENTHAL
	BROWN
	CALIFANO
	HARRIS
	KREPS
	MARSHALL
	SCHLESINGER
	STRAUSS
	VANCE

	ARONSON
	BUTLER
	H. CARTER
	CLOUGH
	CRUIKSHANK
	FIRST LADY
	HARDEN
	HERNANDEZ
	HUTCHESON
	KAHN
	LINDER
	MARTIN
	MILLER
	MOE
	PETERSON
	PETTIGREW
	PRESS
	SANDERS
	WARREN
	WEDDINGTON
	WISE
	VOORDE
	ADMIN. CONFIDEN.
	CONFIDENTIAL
	SECRET
	EYES ONLY

EXECUTIVE OFFICE OF THE PRESIDENT  
COUNCIL ON ENVIRONMENTAL QUALITY  
722 JACKSON PLACE, N. W.  
WASHINGTON, D. C. 20006

cc  
Jack  
J

July 3, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: Charles Warren *Charles*

**Electrostatic Copy Made  
for Preservation Purposes**

SUBJECT: California Gasoline Shortage

Your objectives of reducing crude oil imports by 5% and importing no more than 8.5 million barrels daily through 1985 can be timely accomplished by convincing the nation that acceptable means exist to reduce consumption. The preferred means are individual actions. Present circumstances afford you a good opportunity to rally the nation to take those actions and adopt those means necessary to adjust to the reality of long-term, limited crude oil availability. The opportunity is good because circumstances are both patently attention-getting and demonstrably manageable.

For more than a month now, despite nationally comparable shortages of gasoline supplies, Californian motorists have not had to wait in lines; by innumerable and diverse ways, Californians have reduced their consumption of gasoline by approximately 7 percent. Traffic count and bridge tolls confirm over 10 percent fewer vehicles are using highways and freeways. This has been accomplished by means which today Californians find acceptable, if not unobjectionable. Despite some present failures, other states will soon experience similar success. Failures are mainly due to the inability of some states to properly and effectively implement the odd-even plan. For example, some states have neither used their set-aside fuel only in critical areas nor insured week-end supply availability. Whatever, the fact remains, success will come as individuals adjust.

A major threat to such adjustments is officials who publicly assure that the problem is almost over as "more supplies are on the way." This, of course, has the effect of causing motorists to resume traditional driving plans and practices. Even if supplies increase they will still be inadequate to meet the needs of unconstrained demand. Unless such statements are curbed, I believe lines will return in late July to both California and eastern states.

Since July 1, I have not been on federal payroll and am waiting to learn from Jack Watson whether and under what circumstances I am to continue as your personal representative in California. I have advised him of my view that the program has succeeded beyond expectation and that a number of significant private sector conservation and supply projects have been undertaken which should be completed. Unless there are compelling reasons to the contrary, I strongly recommend continuation of the program.

*Phase  
out*

THE WHITE HOUSE  
WASHINGTON  
10 Jul 79

Frank Moore

The attached was returned in  
the President's outbox today  
and is forwarded to you for  
appropriate handling.

Rick Hutcheson

Zbig Brzezinski

EV--please handle mailing of  
letter.

2877



## MEMORANDUM

## THE WHITE HOUSE

WASHINGTON

ACTION

July 6, 1979

MEMORANDUM FOR: THE PRESIDENT

FROM: ZBIGNIEW BRZEZINSKI 25

SUBJECT: Letter on SALT from  
Senator Roth

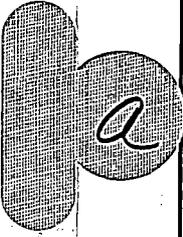
Senator Roth has sent you a letter (Tab B) indicating that he will introduce an "understanding" to the SALT II Treaty clarifying the US position on the non-circumvention provision. Roth's proposed understanding would indicate that the non-circumvention provision "does not impair our ability to transfer weapons systems or technology to our Allies for their self-defense purposes."

You will recall that we have provided our NATO Allies with an interpretation (Tab C) of the non-circumvention provision that is consistent with Roth's proposed understanding, which probably falls in the category of acceptable clarifications to the Treaty. At the same time, it would probably not be advisable to explicitly state at this time that such an understanding is acceptable.

Senator Roth has taken a strong interest in the SALT II Treaty and could play an important role in the SALT ratification process. To this end I suggest that you send him the personal note at Tab A.

RECOMMENDATION

That you sign the letter to Senator Roth at Tab A.



THE WHITE HOUSE  
WASHINGTON

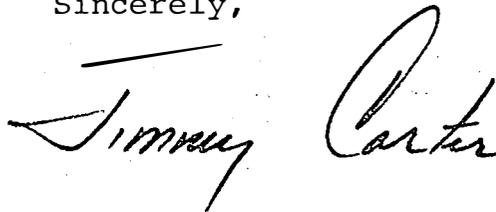
To Senator William Roth

Thank you for your letter of June 5 on the issue of non-circumvention in SALT. I can assure you that I fully share your concern that our Allies be able to meet their weapons systems and technology requirements. For this reason I strongly and successfully opposed the Soviet proposal to include a restrictive non-transfer provision in the SALT II Treaty.

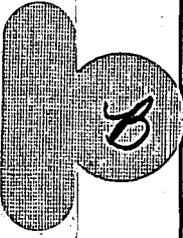
In the course of the SALT ratification proceedings we will be providing our interpretation of the non-circumvention provision which was included in the treaty. We have already publicly stated that this provision will not affect existing patterns of collaboration and cooperation with our Allies, nor will it preclude cooperation in modernization.

I am hopeful that our presentation on the SALT II Treaty will allay any concerns you have with respect to our right to continue to assist our Allies in the strengthening of their defense forces. Should you wish to discuss any aspect of the treaty, I would welcome the opportunity to meet with you.

Sincerely,

A handwritten signature in cursive script that reads "Jimmy Carter". The signature is written in dark ink and is positioned below the word "Sincerely,".

The Honorable William Roth  
United States Senate  
Washington, D.C. 20510



3423

WILLIAM V. ROTH, JR.  
DELAWARE

3215 DIRKSEN SENATE OFFICE BUILDING  
TELEPHONE: 202-224-2441

COMMITTEES:  
FINANCE  
GOVERNMENTAL AFFAIRS  
JOINT ECONOMIC COMMITTEE

## United States Senate

WASHINGTON, D.C. 20510

June 5, 1979

The President  
The White House  
Washington, D.C. 20500

Dear Mr. President:

In view of your forthcoming meeting with Mr. Brezhnev, I want to inform you of an understanding I intend to offer to the SALT II treaty during the Senate advice and consent consideration.

This understanding would clarify the United States position that the non-circumvention provision in the treaty does not impair our ability to transfer weapons systems or technology to our allies for their self-defense purposes.

While I have a substantial interest in many other aspects of the SALT II treaty, including the verification and Minuteman vulnerability issues, I am particularly concerned the treaty not adversely affect our NATO allies. Despite the formal statements of support for SALT II by Western European governments, I have encountered a considerable degree of underlying concern from Europeans that SALT II, and strategic parity more generally, will undermine the credibility of the American nuclear commitment to the defense of Western Europe. For this reason, our allies want assurances we will continue to help them meet their own "strategic" needs through appropriate sales of weapons systems and technologies. Concern has been expressed that the Soviet Union may misinterpret the non-circumvention provision to prohibit such sales.

I believe that an understanding affirming the position of the Administration regarding our right to provide weapons systems and technologies during the Senate advice and consent process will clarify and strengthen the U.S. position, reassure our allies in Western Europe, and help prevent future misunderstandings or misinterpretations of the meaning of the non-circumvention provision.

The President  
Page 2  
June 5, 1979

I am hopeful, therefore, that the Administration will support such an understanding and would look forward to working with you in devising the strongest possible clarifying language.

Sincerely,

A handwritten signature in black ink, appearing to read "Roth". The signature is written in a cursive style with a large, prominent initial "R".

William W. Roth, Jr.  
U. S. Senate

re

## An Interpretive Statement on Non-Circumvention

(1) In the view of the United States, the non-circumvention provision in the SALT agreement simply makes explicit the inherent obligation any state assumes when party to an international agreement not to circumvent the provisions of that agreement. It is a basic tenet of international law that agreements once entered into are to be carried out and not circumvented, and the United States would be so obligated with or without a non-circumvention provision. It is the position of the United States that the non-circumvention provision does not impose any additional obligations whatever on it beyond the specific obligations of the provisions of the treaty and, for the period of its effectiveness, the Protocol, nor does it broaden the interpretation of those obligations.

(2) The United States has consulted intensively with the Alliance throughout the SALT TWO negotiations, recognizing the important Alliance interest in the SALT TWO agreement which deals with the strategic relationship between the United States and the Soviet Union. In view of the possible implications of the non-circumvention clause for Alliance cooperation, the United States reiterates what it has specifically stated in Alliance consultations during the negotiations, that is, the non-circumvention provision will not affect existing patterns of collaboration and cooperation with its Allies, nor will it preclude cooperation in modernization. The United States believes that, in practice, the non-circumvention provision, which it will apply as stated below, will not interfere with continued nuclear and conventional cooperation with its Allies.

(3) As to the issue of transfers, the United States has consistently rejected the inclusion of a provision on non-transfer in the SALT agreement. We have made clear in the negotiating record that transfers of weapons or technology to our Allies will continue

and cannot, ipso facto, constitute circumvention. The United States will deal with future requests for transfers of weapons systems and technology on a case-by-case basis under the SALT TWO agreement, as it has done in the past. The transfer of weapons systems or technology for systems which were not numerically limited or prohibited by the agreement would be unaffected by the agreement. With respect to systems numerically limited in the agreement, as under the Interim Agreement, transfers would not be necessarily precluded by the agreement. Of course, requests for such transfers would, in many cases, involve policy issues, and would have to be dealt with in light of the circumstances of the situation and the particular request. This would also be the case if there were no agreement.

(4) The United States will not be able to transfer to its Allies or other states those weapons systems or technology uniquely related to such systems, which are prohibited to the United States itself by the agreement. The United States fully accepts its responsibility not to circumvent the agreement. For the United States to supply to other states systems of a type that is prohibited to the United States itself by a provision of the agreement would be a circumvention of the agreement, even if there were no non-circumvention provision.

(5) In accordance with recognized international practice, no third party can be bound or legally affected by the obligations the United States assumes under the SALT agreement. The United States would reject and would view as inconsistent with the political and strategic purposes of the agreement any attempt by the Soviet Union to raise, on the basis of the non-circumvention provision, questions concerning the activities of states not party to the agreement. In both a legal and practical sense, only the United States is subject to challenge in connection with questions raised by the Soviet Union with respect to the SALT agreement.

THE WHITE HOUSE  
WASHINGTON  
12 July 79

Jim McIntyre

The attached was returned in  
the President's outbox today  
and is forwarded to you for  
~~your information~~ appropriate  
handling.

Rick Hutcheson

OMB-Please notify affected  
parties of President's decision.

FOR ACTION  
FYI

	FOR STAFFING
	FOR INFORMATION
✓	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND
	NO DEADLINE
	LAST DAY FOR ACTION

VICE PRESIDENT  
 JORDAN  
 EIZENSTAT  
 KRAFT  
 LIPSHUTZ  
 MOORE  
 POWELL  
 RAFSHOON  
 WATSON  
 WEXLER  
 BRZEZINSKI  
 MCINTYRE — *talk private*  
 SCHULTZE

ADAMS  
 ANDRUS  
 BELL  
 BERGLAND  
 BLUMENTHAL  
 BROWN  
 CALIFANO  
 HARRIS  
 KREPS  
 MARSHALL  
 SCHLESINGER  
 STRAUSS  
 VANCE

ARONSON  
 BUTLER  
 H. CARTER  
 CLOUGH  
 CRUIKSHANK  
 FIRST LADY  
 HARDEN  
 HERNANDEZ  
 HUTCHESON  
 KAHN  
 LINDER  
 MARTIN  
 MILLER  
 MOE  
 PETERSON  
 PETTIGREW  
 PRESS  
 SANDERS  
 WARREN  
 WEDDINGTON  
 WISE  
 VOORDE

ADMIN. CONFIDEN.  
 CONFIDENTIAL  
 SECRET  
 EYES ONLY

*JMB -  
 pls notify  
 affected parties  
 of pres decision*



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

Talked to  
Jim Mc  
J

JUL 2 1979

MEMORANDUM FOR THE PRESIDENT

FROM: James T. McIntyre, Jr.  
Robert S. Strauss

Electrostatic Copy Made  
for Preservation Purposes

SUBJECT: Trade Reorganization

When we met with you on May 21, you decided we should propose a more substantial reorganization of the government's trade programs and functions than had been recommended to you on the basis of interagency review. We submit three organizational proposals. One is recommended by us, while the other two are proposed by State and Treasury. Given the requirement in the MTN legislation that we submit a formal proposal to Congress by July 10, we urge your early decision on these recommendations.

Jim McIntyre and Bob Strauss recommend consolidating policy coordination and negotiations in STR and consolidating operational functions in a renamed and revitalized Department of Trade and Commerce (TAC). In addition, the mandate of the Trade Policy Committee should be broadened substantially and a Trade Negotiation Committee should be created to manage all trade negotiations. This arrangement could bring about significant improvement in the management and effectiveness of the government's trade activities and in our view comes as close as possible to meeting Congressional and private sector desires for organizational change -- if a separate trade department is not feasible.



Phase?  
Basically,  
OMB/STR ok.  
but --

1) ok for Commerce  
Jim to promote reports  
all for it -

2) Jim not willing to give  
Commerce import controls  
which would lead to  
protectionism

On point 2) We should  
either protect my position  
with a plan or be ready  
with a veto

The proposal will provide better accountability at home and abroad, and improved consistency and effectiveness in our dealings with Congress, the private sector, and other governments on trade matters. It would lodge in one Cabinet-level official responsibility for the operational side of most government trade activities while strengthening current Executive Office leadership over trade policy and negotiations. We would also strengthen the interagency trade policy process to assure that different perspectives are represented and that the political considerations are adequately assessed. Finally, this plan provides for an overhaul of industrial analysis capabilities in the renamed Trade and Commerce Department. Better analysis is needed to monitor and anticipate trade problems in particular sectors and to analyze these problems in the context of other government policies that impact such sectors. Improvement in sectoral analysis is important to the business community and would help correct serious defects in the existing government organization.

There are negative aspects to this proposal, as there are to all of the other options. On balance, though, this appears to be the most sensible alternative that is viable politically.

In addition to deciding whether to adopt our basic proposal, you may wish to review the individual transfers -- described in the Appendix -- that would be involved. We believe that most, if not all, of those changes are necessary to make the reorganization viable and acceptable.

The second and third options are proposed by Mike Blumenthal and Cy Vance and are described in detail in their accompanying memorandum to you. In brief, State and Treasury believe that a new Government corporation (The U.S. Export Corporation) comprising the Ex-Im Bank and a new U.S. Export Service should be established.

The Export Service would be responsible for the government's promotion activities such as commercial centers overseas, trade fairs, market research, business services and commercial representation. It would be staffed by personnel transferred from State and Commerce. The U.S. Export Corporation would be outside the Executive Office but would report to the STR. Import relief functions would remain as at present; STR would conduct trade negotiations, and the present system of trade policy formulation would remain undisturbed.

If you conclude that countervailing and dumping responsibilities must be moved from Treasury, State and Treasury offer an alternate proposal. This alternative would, in addition to

their preferred option (described above), establish a U.S. Trade Policy Administration (USTPA) outside the Executive Office, but reporting to the STR. USTPA would assume all of the current STR functions as well as antidumping and countervailing duty cases from Treasury, textile negotiation, liaison with private sector advisory groups, MTN enforcement and monitoring, section 201, 301 and 337 of the Trade Act, and U.S. representation in GATT meetings. Although State and Treasury prefer their first option, this alternative is acceptable to them. Most importantly, this option does not move countervail and antidumping to Commerce, which they view as a constituency agency. Bob and Jim believe countervailing and antidumping must be moved from Treasury. Jim prefers a move to Commerce while Bob now prefers a move to STR.

### BACKGROUND

Major U.S. trade functions are located in a number of agencies (Exhibit I). The Special Trade Representative (STR) has a lead role in the trade agreements program, but many trade issues are handled elsewhere. In most instances, trade is not the principal concern of agencies where trade functions are located. Our recent trade difficulties and -- currently -- the submission of the multilateral trade negotiations (MTN) package to the Congress have heightened public interest in trade and brought demands for changes in our trade organization.

Although the U.S. is the only major industrial nation without a Cabinet-level trade department, organization is not the primary cause of our trade problems. Rather, such competitive disadvantages as higher-cost labor, inefficient facilities, lagging productivity, changing market demands, the attractiveness of the U.S. market, and legal and policy disincentives (e.g., antitrust, minimum wage, tax incentives, concerns for human rights, the environment, and national security) hamper U.S. industries' efforts to meet foreign competition. Further, some critics of current trade organization seek to move functions not out of concern for our trade balance, but in the hope that a new setting will give their interests a more sympathetic hearing.

On the other hand, reorganization should ameliorate some of the problems and would afford higher priority to trade. Also, with the MTN agreement awaiting approval in Congress, it is important now to signal the government's commitment to tough enforcement of the new trade codes in the agreement. There is growing pressure from the Congress and from business to reorganize in the trade area; if we do not act, Congress probably will enact its own version of reorganization, possibly by creating a separate, additional trade department.

## POLITICAL ASSESSMENT

### Interest Groups

We have consulted intensively with the three major constituencies of trade reorganization -- business, labor, and agriculture.

Business. Business groups are primarily concerned about implementation of the MTN agreement. Groups like the Business Roundtable, Chamber of Commerce and Emergency Committee for American Trade (representing about 50 top multinationals on trade matters), as well as the leadership of such major trading industries as aerospace and chemicals, are firmly committed to a strong STR-like entity with policy coordination and negotiation responsibilities. Most business groups would agree with moving countervailing duties and dumping functions out of Treasury. Some also feel strongly that STR should have these enforcement responsibilities. Business groups profess interest in upgrading the Commerce Department, and therefore also support the Commerce enhancements recommended herein. The NAM stands out as the one business group still dedicated to a separate trade department or a Commerce-based trade department having the policy and negotiation functions Bob and Jim propose for STR.

While agreeable to the reorganization Bob and Jim recommend, business groups other than NAM would likely support an independent trade agency built around STR if this became viable on the Hill.

Labor. The AFL-CIO is primarily concerned that enforcement of trade statutes and agreements be kept separate from trade negotiations. They fear a tendency for a negotiator to compromise on matters of compliance to achieve other trade goals. Labor also sees benefits to a stronger sectoral analysis capability in Commerce -- a capability they expect will lead to greater sensitivity to domestic opportunities for industrial growth and to domestic impacts of imports. For these reasons, labor would support Jim's recommended proposal, which both separates negotiation from enforcement and strengthens Commerce's industry analysis capacity.

Agriculture. Farm groups are chiefly worried that agricultural concerns be fairly treated vis-a-vis industrial, international political and other perspectives when it comes to trade policymaking and negotiating. For this reason, they are perhaps the strongest proponents of a "neutral broker"

role being played by STR with respect to policy and negotiation. They would be stridently opposed to these two functions being placed in a Trade and Commerce Department, but have no objection to the enhancements of Commerce Bob and Jim recommend.

Like business, however, agriculture probably would support an independent trade agency if that became viable on the Hill.

There are some nuances in interest group positions on the particular transfers proposed. Those most politically noteworthy are reported in appropriate discussion in the Appendix.

### Congressional

There is significant support for trade reorganization in the Senate. Majority Leader Byrd, as well as Senators Ribicoff and Roth are active supporters of a separate Department of Trade (see Exhibit II). In the House, there is less active support for reorganization. However, as the MTN legislation has moved forward in the House, interest in reorganization has grown. Congressmen Jones of Oklahoma and Frenzel recently have introduced a Commerce-based trade reorganization bill that is similar to the OMB/STR recommendation (see Exhibit II).

In both bodies, there is dissatisfaction with the current operation of certain trade programs -- primarily countervailing duties (CVD), antidumping, and commercial officers. The sentiment in the Senate Finance Committee is exceedingly strong and emotional on this issue. This feeling has built up over years to its present intensity. Therefore, Congress will probably move these Treasury and State functions if you do not. Bob feels that failure to do so in your proposal might be construed as weakness on your part. The sentiment in the House is also critical but is less strong on the countervailing duty/antidumping issue.

There is a divergence of views among House and Senate members on whether Commerce is a suitable base upon which to build a Department of Trade. There is also dissatisfaction with the way Commerce programs are now run. Senators Byrd and Roth prefer an individual trade agency to the use of Commerce as a base. Congressman Brooks traditionally opposes any enhancement of Commerce, although it is not a firmly held view in this case. Brooks is strongly opposed to creating any additional governmental units, as are Jones, Frenzel and other House members.

Congressmen Jones, Frenzel and Bingham share the view that STR should be preserved and enhanced. Most Senators support

moving STR to a new trade agency. Senator Long, on the other hand, prefers to leave STR within the EOP.

One comment is in order here. Trade interest groups have not yet been very active on the Hill on trade reorganization. Once hearings begin and lobbying pressure intensifies, many Congressmen may shift their views. Very few Congressmen have hardened positions on this issue yet, other than a general feeling that something substantial must be done.

## RECOMMENDATION

### OMB/STR Option

We recommend that STR be made the principal locus for trade policy coordination and negotiation, and that Commerce (renamed Trade and Commerce) become the principal locus for most operational trade functions. Further, we suggest that the mandate of the interagency Trade Policy Committee (TPC) be broadened substantially and that a new Trade Negotiating Committee to coordinate trade negotiations be created.

STR would remain in the Executive Office, retain Cabinet status, continue to chair the TPC, and become a member of the National Advisory Committee on International Monetary and Financial Policies (NAC). With a staff at or slightly exceeding its current level of 59, STR (renamed Office of the U.S. Trade Representative) would assume responsibility for:

- ° Trade policy coordination (both industrial and agricultural).
- ° The lead role in trade negotiations, including commodity negotiations, East-West trade, and MTN-related negotiations (including GATT representation). To ensure that all negotiations are handled consistently and that our negotiating leverage is used to the maximum extent feasible, a new trade negotiating committee, directed by STR and including State, Agriculture, and Trade and Commerce (TAC), will be created to manage such activities. The committee will be responsible for negotiation of particular issues and will coordinate the operational aspects of those negotiations. The Trade Policy Committee would continue to develop basic U.S. negotiating objectives for the trade negotiators.

STR would continue to have the lead policy role with respect to discretionary trade relief functions (escape clause, section 301, and market disruption).

The TPC would add the following to its coordinating responsibilities:\*

- Import relief policy (including antidumping and countervailing duties, to the extent legally permissible).
- Energy trade issues.
- East-West trade policy, replacing the inactive East-West Foreign Trade Board.
- International investment policy.
- International commodity negotiations.

The Commerce Department would be altered as follows:

- Its name would be changed to Trade and Commerce (TAC).
- A post of Under Secretary for Trade would be created.
- The TAC Secretary would become an ex officio member of the Board of the Export-Import Bank.
- Commercial representation responsibilities with major trading partners would be transferred from State.
- MTN implementation support, insofar as it relates to nonagricultural matters, would be located in TAC (agricultural matters would go to Agriculture).
- The sectoral analysis capability in the Industry and Trade Administration would be upgraded (already underway at Commerce).

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\*

STR recommends that export credit policy be added to the TPC, while OMB believes this policy oversight should continue with the current interagency National Advisory Committee. Page 24 of the Appendix seeks a decision.

- Import relief functions would be transferred from Treasury (antidumping, countervailing duties, embargoes, national security trade investigations), the International Trade Commission (unfair import practices under section 337 of the Trade Act of 1930), and STR (staffing for section 301 non-agricultural unfair trade practice cases\*).

The placement of the import relief functions is the most controversial issue in trade reorganization. In your discussion with Bob before you left for Tokyo, you expressed serious concern about moving import administration programs such as countervailing and antidumping duties into a renamed and strengthened Commerce Department.

It is clear from our Congressional and private sector soundings that there is widespread and strong dissatisfaction with the current administration of countervailing and anti-dumping duty procedures. This is not the result of shortcomings or derelictions on the part of your Administration, but is the result of hostilities developed over a period of many years. In our judgment, any reorganization proposal that does not move these responsibilities out of Treasury will have little credibility and runs the substantial risk that Congress will move these functions to an unfavorable location such as the USITC or a new agency. Frankly, Jim and Bob are not convinced that Commerce would be more protectionist than Treasury or STR, particularly since the MTN bill tightens these procedures so that there will be less discretion in the future and because the TPC would act as an effective oversight body whenever discretion is exercised. However, if Commerce is judged to be an unacceptable destination for these functions, the only remaining viable alternative is STR.

The countervailing and antidumping functions may be broken into four major elements -- investigation; determinations; assessment and collection of duties; and negotiations. Treasury is involved in all of these and the USITC only in the first two (i.e., investigation and determination of injury). Within Treasury two separate agencies have major responsibilities. The Customs Service conducts the detailed data collection and analysis and collects duties. The Office of Tariff Affairs under the General Counsel, handles all key decisions, general policies, and negotiations.

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\*

Agricultural aspects of staffing on section 301 unfair trade practice cases would go to Agriculture.

Bob recommends that you transfer the Office of Tariff Affairs (OTA) and Customs investigation staff to STR and assign to the STR the final decision authority, as well as investigative and negotiation responsibility, for this program. The OTA staff of about 9-12 people manages the countervail/antidumping program. The transfer of the Customs investigative staff would add another 75 positions to STR. Customs would retain adequate resources for monitoring and collection of duties (approximately 125 people).

While Bob's proposal is acceptable to Jim, he continues to prefer his original proposal to place import relief functions in Commerce for the following reasons:

- (1) The AFL-CIO will strongly oppose placement of antidumping and countervail with negotiations.
- (2) Once the MTN codes are in place, the countervail/antidumping functions will be largely adjudicatory with little scope for policy discretion. Furthermore, the Trade Policy Committee will provide policy oversight in those instances where discretionary decisions are made. Therefore, even if one concedes the possibility of a protectionist bias at Commerce, the opportunity for it to affect the outcome of cases is limited.
- (3) Splitting countervail/antidumping functions between STR and Treasury may cause administrative problems.
- (4) Congress may not be satisfied with this partial transfer of Treasury's import relief functions and therefore may try to complete the move by transferring additional staff to STR, substantially swelling the size of the Executive Office.

As a fallback, Jim supports Bob's position, provided that the increase in the EOP staff does not exceed the 85 people estimated above to carry out the import relief functions in STR. If we are to move the countervailing and antidumping functions to STR, we would recommend moving section 337 and national security import investigations to STR as well.\*

The OMB/STR proposal has the following pros and cons.

Pros:

- ° Retains and further consolidates trade policy leadership in the Executive Office.
- ° Consolidates trade negotiation leadership in one place.

\* Section 337 concerns unfair import practices cases. Sections 201 (escape clause) and 301 (unfair trade complaints) remain with STR in either case.

- Strengthens the Commerce Department.
- Is acceptable to business and agricultural interests. (And to Labor if CVD/dumping goes to Commerce).
- Will satisfy many in the Congress, with less risk of escalation into a new department than the State/Treasury option.
- Creates no new agencies or boards.

Cons:

- Senate may object to the absence of a single trade leader.
- Places some operational responsibilities in Commerce, an agency perceived by many as weak.
- While acceptable to most of the business community, NAM may oppose.

We believe that this proposal is by far the most acceptable to the relevant interest groups and that it has a good chance to succeed on the Hill (it is similar to the approach taken by Congressmen Jones and Frenzel).

State/Treasury Options

State and Treasury recommend two different approaches:

Their preferred approach would not disturb the administration of import relief functions. Rather, trade reorganization energies would be channeled where Treasury and State believe they are most needed -- into a lively new organization designed to energize our export promotion efforts.

The State/Treasury fallback approach is offered in the event you believe that the political case for reorganizing import relief functions has now become overwhelming. In that event, Mike and Cy believe the trade interests of the nation would best be served by concentrating import relief functions in a non-constituent agency, reporting to the Special Trade Representative who, with extremely small staff, would continue to be located in the Executive Office and would remain responsive to a senior policy board composed of Cabinet members.

The attached charts (Exhibits III and IV) illustrate the State/Treasury options. Both options involve little or no net expansion of government personnel; in both cases the major components are drawn from existing staff.

### State/Treasury Preferred Option

U.S. Export Corporation. To provide for more effective export promotion, a new U.S. Export Corporation building on the existing Eximbank would be established outside the Executive Office. It would have two arms: a U.S. Export Service responsible for export promotion activities and the Eximbank responsible for official export financing. The senior executive of both arms would be the President of the U.S. Export Corporation. The U.S. Export Service would have a mixed government/private sector board of directors. The Eximbank Board would remain as it is now constituted. The corporation would receive policy guidance from and report to you through the Trade Policy Committee which would continue to be chaired by your Special Trade Representative.

U.S. Export Service. The U.S. Export Service would be responsible for the full range of export promotion activities: commercial centers overseas, trade fairs, market research, trade missions and business services. Its overseas personnel would assume the purely commercial functions and services now provided by our embassies. The staff would be drawn from the private sector and from the State Department commercial attaches (about 100). These staffs would operate out of business-oriented offices separate from the distractions of embassy life but under the authority of the ambassadors.

The Export Service would use the existing Commerce field offices to reach businesses across the country.

The necessary Washington and field staff would be transferred from Commerce to the Export Corporation.

An Office of Special Projects would be established in the Export Service's headquarters to handle large overseas projects that involve purchases of a broad spectrum of goods and services and require penetration through layers of government regulation here and abroad. Export project managers would be appointed to assist U.S. firms in competing for these projects.

Eximbank. No change is proposed in Eximbank's operating procedures, or the composition of its Board of Directors. The Eximbank would continue to respond to the broad policy guidance of an interagency export finance group chaired by the Treasury.

Administration of Import Relief. Under this option, the existing administration of import relief cases would not be disturbed. The present pattern of administrative responsibility means that there is no single agency that can easily be co-opted by those seeking relief. Thus, STR would continue to coordinate policy advice to the President on escape clause cases, and handle the investigation of unfair trade practice cases. Treasury would continue to administer national security cases and countervailing and antidumping duty cases. These last-named cases are the most contentious aspect of the whole reorganization debate.

Much of the frustration directed at Treasury's handling of countervailing and antidumping cases reflects discontent, first, that Treasury has not always sided with those seeking relief, and second, that administrative procedures are too slow.

If the antidumping and countervailing duty laws are fairly administered, some petitioners will always go away empty-handed. But Treasury has taken steps to speed up the administrative process: significantly more personnel are now budgeted to handle the case load. Moreover, the new law imposes considerably shortened time deadlines. Thus, in State and Treasury's judgment, discontent with Treasury's performance will soon decline.

Meanwhile, a strong argument can be made for leaving the administration of these cases in Treasury. More than 80 percent of the workload is handled by the Customs Service, with policy direction and final decisions supplied by a small corps of Treasury officials. The Customs officers assigned to these cases also handle regular Customs work. Significant management inefficiencies would arise if transfer of the Customs officers caused them to concentrate solely on the uneven flow of countervailing and antidumping cases. On the other hand, if policy guidance were shifted out of Treasury, and if the Customs officers were not also transferred, other management inefficiencies would arise from the problems of coordination between two different agencies.

Trade Negotiations. Under all options, including those offered by OMB, the conduct of trade negotiations would remain under the STR. Recent successful completion of the MTN indicates that policy formulation for and conduct of trade negotiations is highly satisfactory under the present system.

Pros:

- Could be sold as a novel and creative approach to address our export problems and provide an energetic export drive.
- Does not move Treasury's import relief to an agency considered by some to be protectionist.

Cons:

- Creates two additional units of government.
- Proposal for two corporation boards (one mixed and one full time government) reporting to a corporate shell and then through an interagency committee and the STR to you, creates a cumbersome bureaucratic control system.
- Does not consolidate trade and trade related negotiations and policy coordination.
- Does not address the most widespread and deeply felt political problems of trade reorganization -- the intense Congressional and private sector interest in moving Treasury's antidumping and countervailing duties.
- Strips Commerce of its major trade program and resources.

State/Treasury Fallback Option

Cy and Mike recommend this fallback option if you believe that a drastic reorganization of our trade apparatus is required. The approach they offer would consist of both a U.S. Trade Policy Administration to formulate, negotiate and administer trade policy and the U.S. Export Corporation outlined in their first option. These two organizations would be located outside the Executive Office and would report to the STR through two Deputy STRs. Both organizations would be staffed by existing personnel drawn from STR, State, Treasury, and Commerce.

U.S. Trade Policy Administration. A U.S. Trade Policy Administration (USTPA) would be established outside the Executive Office. It would be headed by an Administrator who would be a Deputy STR with ambassadorial rank. The USTPA would assume all current operational functions of the Office of the Special

Trade Representative, plus responsibility for implementing U.S. trade agreements and for administering the antidumping and countervailing duty statutes.

Cy and Mike's preferred approach would leave antidumping and countervailing duty cases in the Treasury. But if political considerations dictate that this administration must be shifted, they think it is vital that the administration not be shifted to a constituency agency -- the Commerce Department. Rather, these cases should be handled by an independent administration, free of protectionist bias, reporting to the STR in the Executive Office and to a broad-based Trade Policy Board (TPB).

The Trade Policy Administrator's responsibilities would also include: interagency coordination; trade and textile negotiations; liaison with private sector advisory groups; monitoring compliance and enforcement of U.S. rights under MTN codes; implementing sections 201 (escape clause), and 301 and 337 (unfair trade practices), and representing the United States in meetings of the GATT.

The staff would include the present STR plus existing staff drawn from Treasury to administer antidumping and countervailing duty statutes.

U.S. Export Corporation. As in the State/Treasury preferred option, this option also contemplates a new U.S. Export Corporation, built around the existing Eximbank. The only difference is that, in their fallback option, the President of the U.S. Export Corporation would be a Deputy STR with ambassadorial rank, reporting to the STR.

Pros:

- ° Comes close to creating a single trade spokesperson and leader (if STR can control two non-Executive Office agencies, one headed by a "deputy," the other by a "deputy" and two boards).
- ° Builds on STR, which has a good reputation among big business and agriculture (but not with the AFL-CIO).
- ° Gives the enforcement "stick" to our chief trade negotiator (wanted by many business groups).

- May be perceived by Congress as a bolder initiative signalling greater real change than our recommendation.
- Appears to give a new thrust to export promotion programs.
- Satisfies Congressional interest in moving Treasury import relief.
- Guards against a protectionist tilt in the administration of import relief actions.

Cons:

- Creates two new agencies and one new board.
- Proposal for two mixed government/private Boards reporting to a corporation reporting to the Executive Office (through an interagency committee), creates a complicated bureaucratic control system.
- If STR controls the U.S. Export Corporation, which is geared to promoting industrial exports, some agricultural groups are concerned that STR may over-emphasize industrial export interests, thus compromising its neutral broker role.
- These new trade agencies may be transformed into another Cabinet department in the course of Congressional consideration.
- Eliminates the most promising mission we could develop to revitalize the Department of Commerce and, in fact, weakens Commerce.
- Does not bring international investment policy or energy trade policy under the TPC.

DECISIONS

1.  Rename Commerce the Department of Trade and Commerce (TAC). Assign import relief functions, commercial representation, non-agricultural MTN implementation support to TAC. Assign STR trade policy coordination and lead role in trade negotiations (including commodity, East-West trade, MTN, GATT) and establish a trade negotiating committee directed by STR to manage negotiations.
- Expand the role of the TPC to oversee and coordinate import relief, energy trade, East-West trade, commodity and international investment policy. (Recommended by OMB, WHCL, Pettigrew, Wexler, USDA, Commerce, Labor. Acceptable to STR, Kahn and Schultze, if import relief not centralized in Commerce. Labor believes they should be a member of the Trade Negotiating Committee.)
- 1(a)  Same as above, except centralize import relief in STR rather than Commerce (countervail/antidumping, national security import investigations, and sections 201, 301 and 337). (Recommended by STR. Acceptable to OMB, DPS, Kahn, Schultze.)
2.  Create a new U.S. Export Corporation building on the existing Eximbank. Leave trade policy coordination, trade negotiation and countervailing and antidumping responsibilities where they are. (Recommended by State, Treasury, Kahn, Schultze. NSC/Owen support if U.S. Export Corporation answers to Commerce and Commerce assumes new functions to implement MTN. Acceptable to DPS.)
3.  In addition to the new U.S. Export Corporation, create a new U.S. Trade Policy Administration under the direction of STR and a reconstituted Trade Policy Board, both of which remain in the Executive Office. (Acceptable to State, Treasury, DPS, Kahn, Schultze. Supported by Eximbank provided that the Chairman of Eximbank and the President of U.S. Export Service report to Trade Policy Board and that President of Export Service and chair of Eximbank have Deputy STR rank.)

NOTE: If you have selected the OMB/STR option (either 1 or 1(a)), the attached Appendix provides the opportunity to exclude specific units and functions.

At the time you announce your decision regarding trade reorganization and transmit your proposal to the Congress, we recommend you also announce a series of immediate actions. These changes will give the Congress assurance, as we are approaching voting on the MTN agreements, that these agreements will receive top priority attention and will demonstrate your commitment to make significant changes in the existing trade organization structure. They would also put the ball in the Congress's court with respect to those changes that can only be effected by legislative action.

The following adjustments are recommended to the extent they are consistent with your above decisions.

1. Broadening by Executive Order the policy coordination responsibilities of the Trade Policy Committee and its subordinate groups to include those areas of trade policy not now covered, to the extent that this can be achieved within legal limitations.

2. Assign STR the responsibility for representation of the U.S. in Geneva in the GATT. (State would be opposed.)

3. Assign STR as the agency responsible and accountable for implementation of the MTN and direct the Departments of State, Treasury, Agriculture, Labor, and Commerce to give their full support to this effort.

#### DECISION

- Broaden Executive Order on Trade Policy Committee.
- Assign STR GATT representation.
- Assign STR MTN implementation lead and direct other departments to support effort.

APPENDIX: INDIVIDUAL UNITS AND FUNCTIONS

As stated above, we believe that our recommendation represents a balanced, unified package, and that it is viable only if most or all of the recommended transfers are made. Should you wish to exclude any individual units or functions, please so indicate below. WE WILL INCLUDE ALL ITEMS PROPOSED IN THE OMB/STR OPTION UNLESS YOU EXCLUDE THEM.

Export-Import Bank

The principal trade financing agency is the Export-Import Bank (Eximbank). Although generally credited with doing a good job, Eximbank has been criticized for supporting trade promotion where there is little foreign competition and where other commercial financing is readily available. Eximbank now has a full-time, Presidentially appointed Board. In addition, it receives policy advice from the National Advisory Council (NAC) composed of Treasury, Commerce, State and the Federal Reserve Board.

We recommend that the Secretary of Commerce/TAC become an ex officio member (without vote) of the Board of Eximbank. This change would increase consistency between Eximbank activities and our overall trade policy and would signal a strong commitment to export development.

Present business customers of Eximbank will argue vigorously that the bank operates well and does not need to be bureaucratized by a tie-in to Commerce/TAC. There is no constituency pressing for change in Eximbank's status, although all of the legislation introduced thus far does change it.

DECISION

Secretary of TAC to become ex officio member of Eximbank Board. (OMB, STR, acceptable to Eximbank.)

No change (NSC/Owen)

Secretary of TAC to chair Eximbank (USDA, Commerce)

## State's Commercial Officers

The performance of the commercial officers is criticized because this function is subordinated to economic reporting in State and does not attract the most capable Foreign Service Officers. Further, critics argue that the skills, training and career aspirations of diplomats are inconsistent with the job requirements for commercial officers. Those who disagree contend that economic reporting and commercial activities are handled jointly in our embassies and that separation would undercut our ability to conduct unified foreign economic policies.

We recommend that the commercial officers assigned to major trading partners be moved to TAC. This would put both domestic and overseas export promotion staffs under one agency that emphasizes expanding U.S. exports. Further, it would attract people interested in commercial representation, rather than career diplomats, and would be enthusiastically received by many in Congress (it is proposed in the Byrd, Roth-Ribicoff, and Jones-Frenzel bills). Those opposing such a move contend that it would result in wasteful duplication of effort and unnecessarily increase staff requirements. Also, the move would require a complicated personnel change that would take some time to effect.

Alternatively, the commercial officers could remain in State, but TAC and State would conduct a number of planning, program and review functions jointly, and TAC would have a formal, equal role in the selection, training and personnel management of commercial officers. This would avoid the disruption of moving personnel or positions from State. On the other hand, it is similar to previous unsuccessful agreements to improve State's commercial performance, would still leave State with primary control over the officers, and would not satisfy those on the Hill and elsewhere who want to see commercial representation in a trade-oriented agency.

We have yet to discover a constituency, other than the American Foreign Service Association, that does not strongly favor transfer of the commercial officers to Commerce/TAC and modeling them on the highly respected Foreign Agricultural Service in USDA. Many business groups are critical of the present arrangement, but some, including Reg Jones, argue for retaining them in State.

DECISION

Move all of the commercial officers to TAC (USDA, Commerce).

Move only the commercial officers assigned to major U.S. trading partners to TAC, leaving economic officers to handle commercial functions in smaller posts (OMB, STR).

Retain the officers in State, but give TAC a formal, equal role in managing them.

Post-MTN Monitoring and Implementation

This is an important issue. What we have negotiated in the MTN will not be worth much if we do not aggressively monitor and implement the agreements. The Congress and the private sector are particularly concerned about how MTN is to be implemented.

We recommend that Agriculture, Commerce/TAC, and Labor be responsible for functions that are best handled by constituency oriented departments (e.g., educational and promotion programs, technical assistance to the private sector, consultations with private sector advisory committees, data base development and maintenance, staffing of formal cases, information dissemination, and analytical support).

We further recommend that STR manage formal cases, negotiations, and related GATT responsibilities.

DECISION

Approve (OMB, STR, NSC/Owen, USDA).

Disapprove

Import Relief

Import relief functions are directed by several agencies. The Trade Policy Committee and other interagency bodies with varying membership supervise some of these functions, while others are subject to little, if any, interagency coordination. Critics complain that this dispersion of responsibilities greatly complicates and retards efforts to obtain import relief.

Further, export functions are in large measure separated from import functions, even though trade relations (including negotiations) with other nations frequently encompass both import and export matters.

We propose changes in two areas of import relief:

1. Antidumping and Countervailing Duty (CVD) Cases. The most criticized import administration activity is countervailing duty (CVD) and antidumping cases, in which foreign producers are accused of receiving subsidies or selling at less than fair market value. The new CVD and antidumping codes resulting from the MTN will require changes in procedures and increases in manpower. Congressional satisfaction with the Administration's plans to enforce these codes will be a critical element in securing MTN passage.

Of special note here is the difference of opinion among business groups on the handling of Treasury's import relief functions. All seem to concede the political imperative to move the functions. However, some business interests want to give them to STR (read: free trade policies combined with more effective use as a negotiating stick), while others would transfer them to Commerce/TAC (read: stronger concern for and execution of statutorily mandated relief functions in an objective process). As noted earlier, the AFL-CIO strongly shares the latter view.

Transferring these functions to TAC would increase the likelihood of faster, more vigorous enforcement, help satisfy severe Congressional and private sector criticism, and locate import and export controls in the same place. It should be noted, though, that some critics of Treasury disagree not with its administration of these functions, but with its reputation for non-protectionist policies. We recommend moving these functions, along with the Customs unit that investigates dumping and CVD cases\*, Treasury's Office of Foreign Assets Control (15 persons), and Treasury's responsibility for administering national security import cases.

#### DECISION

- Transfer to Commerce (OMB, Commerce, USDA. Acceptable to STR).
- Transfer to STR (Recommended by STR, acceptable to OMB).
- Do not transfer (Treasury, State, Kahn, Schultze, NSC/Owen).

\* You have recently proposed a 1980 budget amendment that more than doubles the size of this unit. This increase should ease some of the complaints about Treasury's slowness in handling these cases.

2. Unfair import practice cases (International Trade Commission. Section 337 of the 1930 Tariff Act authorizes the ITC to apply sanctions for unfair import practices. ITC recently has expanded its activities and has been entering into some agreements that are inconsistent with U.S. trade policy or duplicative of other enforcement functions, but that the Administration can review only after they are concluded. Senator Long's interest in the ITC focuses on functions other than this one, and the Roth-Ribicoff bill proposes to move it to a new trade department. Transferring this authority to TAC would bring it under Executive branch control and would be an appropriate part of a consolidation of trade functions, but it might run into some opposition in Congress and the private sector. We would transfer the ITC's tariff nomenclature functions (included in the Roth-Ribicoff bill) along with section 337.

#### DECISION

- Transfer section 337 and tariff nomenclature to Commerce (OMB, NSC/Owen, USDA. Acceptable to STR if CVD goes to Commerce.)
- Transfer section 337 to STR (Recommended by STR if CVD/antidumping transferred to STR; acceptable to OMB.)
- Do not transfer.

Negotiation of commodity agreements. This function now is handled by State and subject to an interagency mechanism different from the TPC. We believe that it should be placed in STR and made subject to the new negotiation coordinating committee discussed at page 6 above. This would increase the consistency of overall trade policy and would assure that all affected interests have a voice in decisions. On the other hand, it might complicate the foreign policy aspect of commodity issues, which to some degree are exercises in North-South relations.

While the agricultural community would enthusiastically applaud transfer of this responsibility from State, maintaining the status quo would not lose our overall proposal any support.

DECISION

- Transfer to STR; coordinate through negotiation coordinating committee (OMB, STR, USDA)
- Retain in State; coordinate through TPC (NSC/Owen)
- No change (State, Treasury)

Trade Policy Coordination

Much, but not all trade policy is coordinated through the TPC and two committees functioning beneath it (all chaired by STR). While policy coordination has worked adequately on the whole, some complain that important trade policy issues are not addressed through the TPC mechanism. We have presented above (page 22) our recommendation for adding commodity negotiation policy to the TPC; we recommend that you bring in the following additional coordinating responsibilities:

1. Import relief. Since antidumping and countervailing duty aspects of import relief are in some measure adjudicatory, TPC review would center about coordination with other trade matters, precedents, etc., rather than case-by-case factfinding.

DECISION

- Include under TPC (OMB, STR, NSC/Owen, USDA).
- Do not include.

2. International investment policy. There is no overall coordinating mechanism in the government for international investment policy (i.e., U.S. investment overseas and foreign investment in the U.S.). Investment and trade are often linked, and the Roth-Ribicoff bill proposes a Department of International Trade and Investment. Significant policy issues need to be addressed. State, Treasury, Commerce, Labor, and even Defense play roles, and there are several interagency committees with varying degrees of formality and membership. We do not propose any transfers of functions or units, but recommend that the formulation of international investment policy be brought within the purview of the TPC.

DECISION

Include under TPC (OMB, STR, USDA).

Do not include (NSC/Owen, State, Treasury).

3. Energy Trade. These issues are now resolved by Energy and are the subject of complaints for lack of coordination. These are included in the Byrd bill for consolidation into a trade department (i.e., total removal from DOE rather than merely coordination with other agencies), but some argue that the special nature of energy issues calls for only special DOE expertise.

DECISION

Include under TPC (OMB, STR, NSC/Owen, USDA).

Do not include (Energy).

4. East-West Trade. The East-West Foreign Trade Board, mandated by the Trade Act of 1974, is inactive, and East-West trade issues are handled on an ad hoc basis rather than in a single trade-related forum. We recommend abolishing the Board and transferring its functions to the TPC.

DECISION

Include under TPC; abolish Foreign Trade Board (OMB, STR, NSC/Owen, USDA).

Do not include (State, Treasury).

Coordination of Export Credit Policy

There is an area in which OMB and STR disagree - export credit policy. OMB recommends you leave such policy under the policy guidance of Treasury and the interagency National Advisory Committee, while STR recommends you move that responsibility into STR and the Trade Policy Committee. OMB's rationale is that the NAC's charter does and should include all international

financial policy, and that Treasury acts as an effective damper on the Export-Import Bank's lending activities. STR feels that export credit policy is so closely related to other trade policy issues that it should be in the same policy structure and that our national export objectives would be better served by this shift.

DECISION

Retain in Treasury/NAC (OMB, NSC/Owen).

Transfer to STR/TPC (STR, USDA, Labor).

## U.S. TRADE FUNCTIONS:

EXPORT EXPANSION

Agency	FY 1979		Functions
	Budget \$ 000	Personnel Positions	
<u>Export-Import Bank:</u>			Direct loans, loan guarantees, and insurance to support exports; limited market information program.
Program activities	10,080,000	-	
Administration expenses	13,740	423	
<u>Treasury Department:</u>			Provide general policy guidance to Export-Import Bank and recommend U.S. positions for international negotiations on terms and extent of official trade financing.
Office of Trade Finance	145	5	
<u>State Department:</u>			Trade promotion and overseas services to American business.
Commercial attaches	21,700	905 (man/years including foreign nationals)	
<u>Commerce Department:</u>			Export development, East-West trade promotion, domestic business development and field operations.
Industry and Trade Administration	45,528	1,099	
<u>Department of Agriculture:</u>			Export promotion and service for U.S. agriculture through agricultural attaches and domestic market development activity.
Foreign Agricultural Service	21,800	738 (including foreign nationals)	
Commodity Credit Corporation	1,752,315	115	Stabilize and protect farm income and prices, assist in maintaining balanced and adequate supplies of agricultural commodities, and facilitate orderly distribution of commodities.

U.S. TRADE FUNCTIONS:  
IMPORT RELIEF

Agency	FY 1979		Functions
	Budget \$ 000	Personnel Positions	
<u>Treasury Department:</u>			
Office of Tariff Affairs	250	11	Administer Countervailing Duty Law and Antidumping Act except for injury determinations.
Customs Service, dumping investigations	1,000	20	Conduct investigations of dumping (sales at less than fair value) complaints.
Office of Foreign Assets Control	175	6	Administer trade embargoes (as well as assets control).
<u>International Trade Commission</u>	5,369	151	Investigate injury when Treasury has found dumping or - when the new code takes effect - subsidies; administer unfair trade complaints under Section 337 of Trade Act of 1930.
<u>Special Trade Representative</u>	1,350	21	Administer Generalized System of Preferences, escape clause actions, market disruption cases, and unfair trade complaints under Section 301 of Trade Act of 1974.
<u>Department of Agriculture:</u>			
Foreign Agricultural Service	16,082	10	Administer agricultural import controls.
<u>Department of Commerce:</u>			
Industry and Trade Administration	9,078	255	Administer trade controls, watch quotas, Foreign Trade Zones, etc.

U.S. TRADE FUNCTIONS: IMPORT RELIEF

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Department of Commerce:

Economic Development Administration	97,000	25	Trade Adjustment Assistance to business and communities.
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Department of Labor:

International Labor Affairs and Employment and Training Administration	271,122	238	Trade Adjustment Assistance to workers.
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U.S. TRADE FUNCTIONS:  
POLICY DIRECTION AND NEGOTIATION

FY 1979

Agency	Budget \$ 000	Personnel Positions	Functions
<u>Special Trade Representative</u>	1,350	21	Administer trade agreements program, direct U.S. participation in multi-lateral trade negotiations, chair the interagency trade process.
<u>Department of State:</u> International Trade Policy	1,653	49	Participate in formulation of U.S. trade policy, conduct bilateral trade negotiations with communist countries.
<u>Department of Commerce:</u> International Economic Policy & Research	7,560	199	Participate in the formulation of U.S. trade policy.
<u>Treasury Department:</u> International Trade	561	17	Participate in the formulation of U.S. trade policy.
<u>Department of Agriculture)</u> <u>Department of Defense )</u> <u>Department of Interior )</u> <u>Department of Justice )</u> <u>Department of Labor )</u>	-	-	Participate in the formulation of U.S. trade policy.

SUMMARY OF TRADE DEPARTMENT PROPOSALS  
(Functions Included)

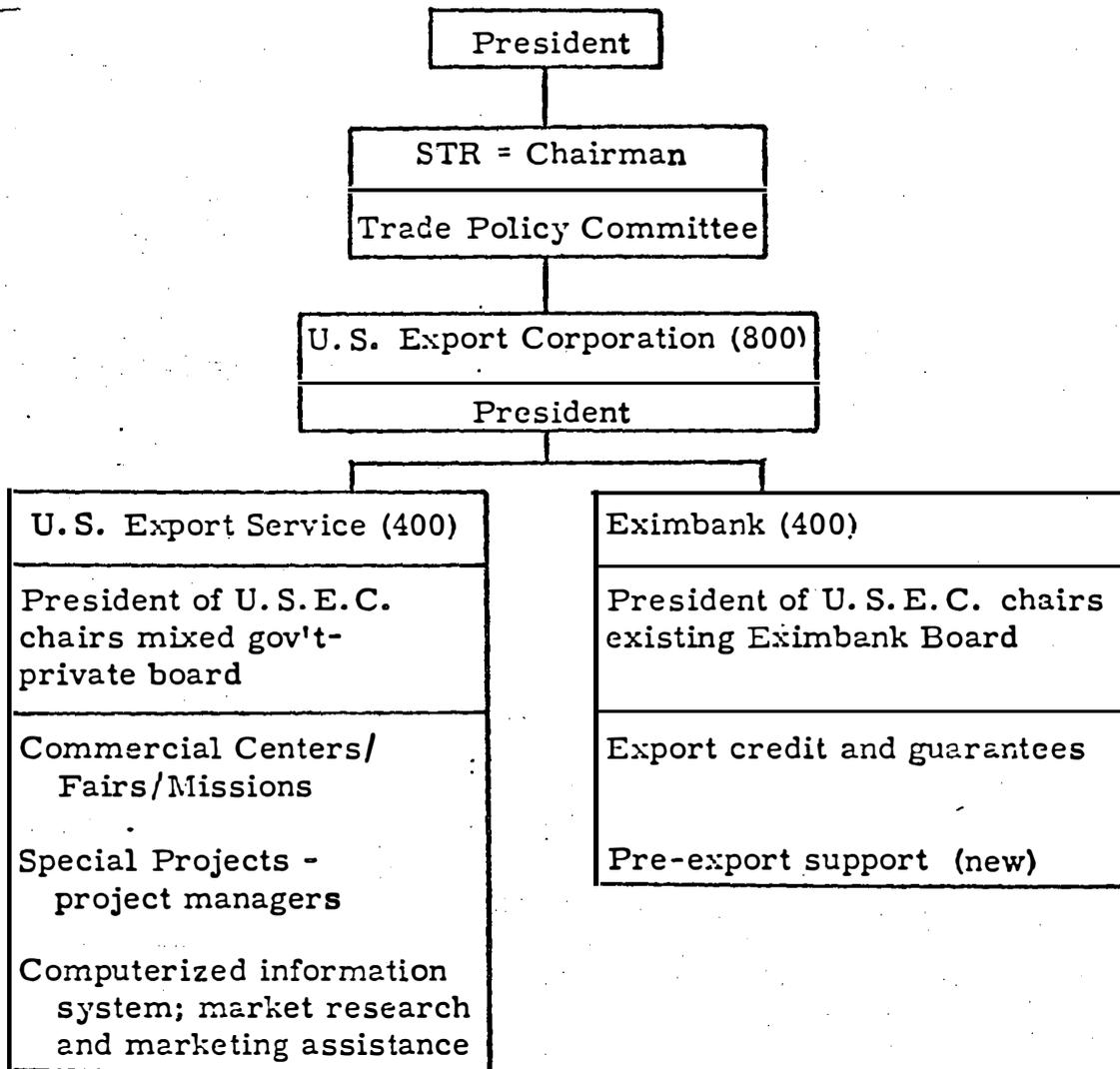
Agency	Roth-Ribicoff (S.377) Department of Inter- national Trade and Investment ( <u>additional</u> to Commerce)	Byrd (W.Va.) (S.891) Department of Inter- national Trade ( <u>addi- tional</u> to Commerce)	Jones-Frenzel (H.R. 4567) Department of Com- merce and Interna- tional Trade (incor- porates Commerce)	OMB-STR Proposal Department of Trade and Commerce (incor- porates Commerce)
Agriculture Department	No change	Foreign Agricultural Service	No change	No change, except that Agriculture to participate in a new trade negotiat- ing committee, chaired by STR
Commerce Department	Export promotion, foreign investment, export administra- tion, foreign trade zones, other trade activities (e.g., East-West trade)	International commer- cial activities of Industry and Trade Administration	No change	Would be enhanced by addition of MTN imple- mentation, commercial attaches and import relief; Secretary to chair Eximbank Board
Energy Department	No change	Direct U.S. partici- pation in multi- and bilateral trade nego- tiations on energy matters	No change	Include under TPC
Export-Import Bank	Include all; abolish Board	Responsibility for minimizing competi- tion in Government- supported export financing	Include all	TAC to be ex officio member of Board

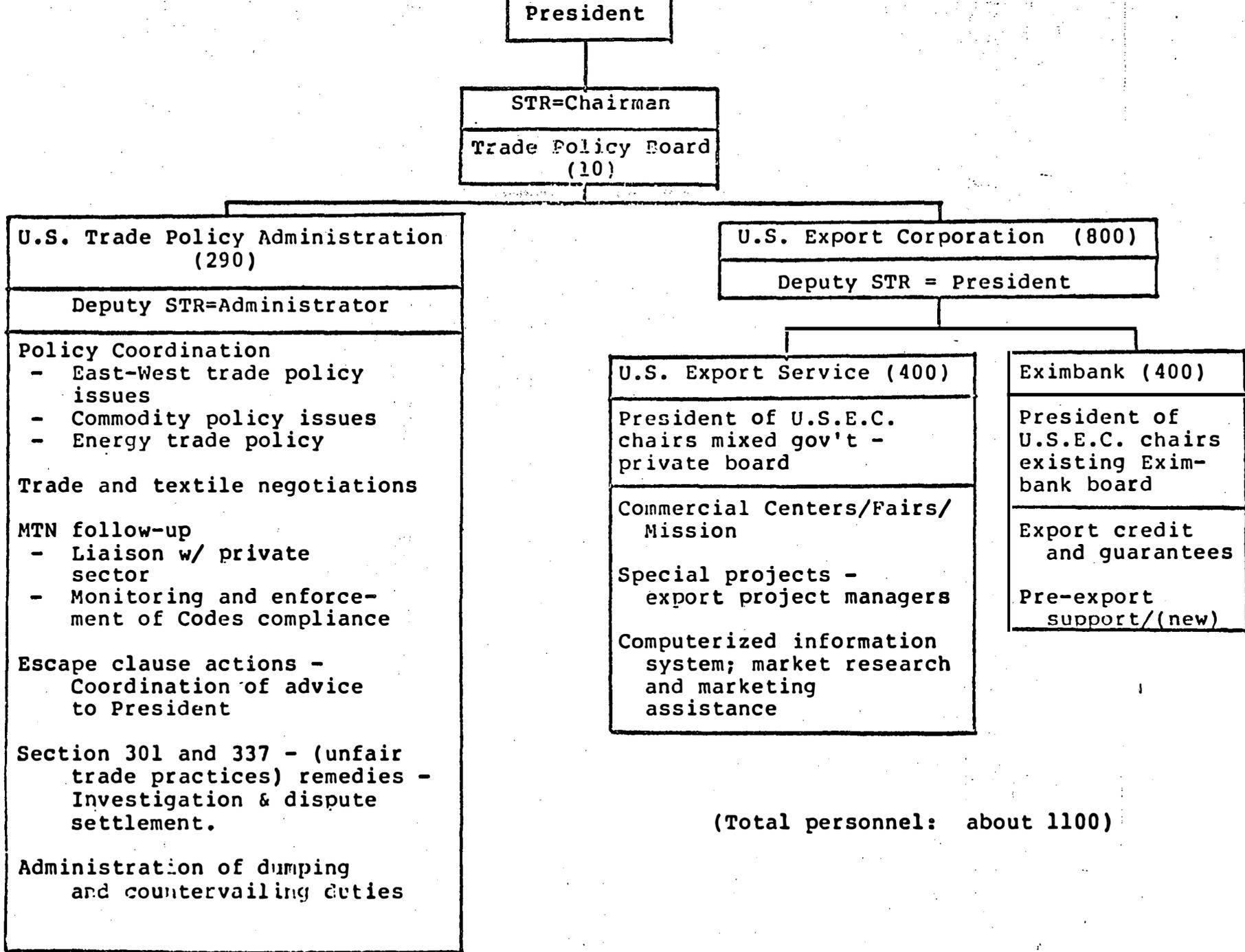
Summary of Trade Department Proposals

Agency	Roth-Ribicoff	Byrd	Jones-Frenzel	OMB-STR Proposal
Interior Department	No change	No change	Div. of Inter-industry and Economic Analysis	Transfer 50 industry analysts to TAC
International Trade Commission	Section 337 of Tariff Act of 1930 (unfair trade), tariff nomenclature and statistics	No change	Statistical data, tariff schedules and summaries, investigatory, and Office of Industries; ITC would be transferred as an independent entity	Transfer Sec. 337, tariff nomenclature to TAC (or STR, if antidumping and countervail transferred to STR)
Labor Department	No change	No change	Worker eligibility (Chap. 2, title II of Act)	No change
Overseas Private Investment Corp.	Include all	New Secretary would be OPIC Board Chairman; OPIC's mission would include promoting U.S. trade position	Include all	No change, except that investment policy to be under TPC
Special Trade Representative	Include all	Include all	Relief from unfair trade practices; functions of the State Department re negotiation and implementation of commercial agreements and trade agreements with foreign nations, including commodity agreements	Coordinates trade policy; staff to remain at approximately 60; lead role re negotiations; chairs negotiation committee

Summary of Trade Department Proposals

Agency	Roth-Ribicoff	Byrd	Jones-Frenzel	OMB-STR Proposal
State Department	Commercial attaches; all trade agreement activities, including commodity agreements; and international investment policy; but excluding economic reporting	Bureau of Economic and Business Affairs, commercial attaches, trade and commodity agreements, fisheries, information on foreign commercial and labor trends	Commercial affairs and business activities, including export promotion (but not economic conditions in foreign countries); international investment policy	Transfer commercial attaches to TAC; commodity negotiation lead to STR, subject to negotiating committee and TPC
Treasury Department	International trade and investment; Customs Service; unfair trade and investment competition	Trade and commodity agreements, Off. of Asst. Secy for International Affairs (except monetary policy, international exchange and bilateral and multilateral monetary institutions), dumping and countervailing duties, Customs Service	OASIA (except: monetary policy, international exchange, international investment, Saudi Arabian affairs, and membership in bi- and multilateral monetary institutions); dumping and countervailing duties; of Office of Foreign Assets Control	Transfer to TAC anti-dumping, CVD, embargoes, national security trade investigations (OMB); Transfer negotiations, determinations and investigations for CVD, antidumping and national security investigations to STR (STR)
Proposed new mechanisms	None proposed	Dep. Secy. for Trade Negotiations; Dir. of Long-Range Policy Planning; Asst. Secy. for agriculture, industry and commerce, energy, law enforcement and investigations	No change	New Trade Negotiating Committee (TNC); broadened mandate for the Trade Policy Committee (TPC)





(Total personnel: about 1100)



July 3, 1979

MEMORANDUM FOR THE PRESIDENT

SUBJECT: TRADE REORGANIZATION

BACKGROUND

Function follows form. The organization of our trade policy apparatus will shape that policy for years to come.

In broad outline, OMB recommends that you: (1) concentrate all operational trade responsibilities in one agency--the Commerce Department; and (2) centralize all trade policy and negotiating authority within the Office of the Special Trade Representative. The first recommendation invites two criticisms:

- The proposal shifts responsibility for administering all import relief mechanisms into one agency. In the best of circumstances that agency would come under a protectionist siege. The OMB proposal compounds that danger by placing all administrative responsibility in an agency--Commerce--with no demonstrated resistance to protectionist forces. This shift in administrative responsibility would foreordain a slide into protectionism, thereby building an inflationary bias into our trade policy.
- We must make a determined effort to increase our exports, both by overcoming inertia in the private sector and by removing disincentives created by government. Otherwise we will be forced to rely on tight money, slow growth and unemployment to safeguard the dollar. To avoid this dilemma, we need a fresh and energetic approach to our export promotion efforts. We cannot rely on the Commerce Department, which has long employed the largest trade bureaucracy in Washington with the least enviable track record. Shifting additional export responsibilities--such as the highly regarded Export-Import Bank--to the Commerce Department will be seen as building on weakness, not strength.

In light of these criticisms, we suggest two quite different approaches. Our preferred approach, Option 1, would not disturb the administration of import relief functions. Rather, trade reorganization energies would be channeled where they are most needed--into a lively new organization designed to energize our export promotion efforts.

Our fallback approach, Option 2, is offered in the event you believe that the political case for reorganizing import relief functions has now become overwhelming. In that event, the trade interests of the nation would best be served by concentrating import relief functions in a non-constituent agency, reporting to the Special Trade Representative who, with an extremely small staff, would continue to be located in the Executive Office and would remain responsive to a senior policy board composed of Cabinet members.

The attached charts illustrate Options 1 and 2. Both options involve little or no net expansion of government personnel; in both cases the major components are drawn from existing staff.

#### OPTION 1

##### U.S. Export Corporation

Without any addition to the budget or the creation of an additional agency, it is possible to provide for more effective export promotion.

Eximbank is a lean and efficient organization highly regarded by the business community. To capitalize on this strength and to provide for more effective export promotion, we propose building on Eximbank to include an export promotion arm -- a U.S. Export Service. For organizational purposes, these two arms -- one for export promotion and one for export finance -- would be housed in the U.S. Export Corporation. The senior executive of both arms would be the President of the U.S. Export Corporation. By building on an existing organization, we avoid creating an additional agency.

To inject private sector expertise into this organization, chief executive officers of U.S. companies would be members of a mixed government/private sector board of directors of

the U.S. Export Service. The Eximbank Board would remain as it is now constituted, structured to avoid conflicts of interest.

The U.S. Export Corporation would receive policy guidance from and report to you through the Trade Policy Committee which would continue to be chaired by your Special Trade Representative.

Although Eximbank and the U.S. Export Service would be budgeted separately, past experience indicates that Eximbank's earnings would more than offset the cost of an aggressive export promotion program by the U.S. Export Service.

#### U.S. Export Service

The U.S. Export Service would be responsible for the full range of export promotion activities: commercial centers overseas, trade fairs, market research, trade missions and business services. Its overseas personnel would assume the purely commercial functions and services now provided by our embassies. The staff would be drawn from the private sector and from the State Department commercial attaches (about 100). These staffs would operate out of business-oriented offices separate from the distractions of embassy life but under the authority of the ambassadors.

The Export Service would use the existing Commerce field offices to reach businesses across the country.

The necessary Washington and field staff would be transferred from Commerce to the Export Corporation.

An Office of Special Projects would be established in the Export Service's headquarters to handle large overseas projects that involve purchases of a broad spectrum of goods and services and require penetration through layers of government regulation here and abroad. Export project managers would be appointed to assist U.S. firms in competing for these projects.

#### Eximbank

No change is proposed in Eximbank's operating procedures, or the composition of its Board of Directors. The Eximbank would continue to respond to the broad policy guidance of an interagency export finance group chaired by the Treasury.

### Administration of Import Relief

Under Option 1, the existing administration of import relief cases would not be disturbed. The present pattern of administrative responsibility means that there is no single agency that can easily be co-opted by those seeking relief. Thus, STR would continue to coordinate policy advice to the President on escape clause cases, and handle the investigation of unfair trade practice cases. Treasury would continue to administer national security cases and countervailing and antidumping duty cases. These last-named cases are the most contentious aspect of the whole reorganization debate.

Much of the frustration directed at Treasury's handling of countervailing and antidumping cases reflects discontent, first, that Treasury has not always sided with those seeking relief, and second, that administrative procedures are too slow.

If the antidumping and countervailing duty laws are fairly administered, some petitioners will always go away empty-handed. But Treasury has taken steps to speed up the administrative process: significantly more personnel are now budgeted to handle the case load. Moreover, the new law imposes considerably shortened time deadlines. Thus, in our judgment, discontent with Treasury's performance will soon decline.

Meanwhile, a strong argument can be made for leaving the administration of these cases in Treasury. More than 80 percent of the workload is handled by the Customs Service, with policy direction and final decisions supplied by a small corps of Treasury officials. The Customs officers assigned to these cases also handle regular Customs work. Significant management inefficiencies would arise if transfer of the Customs officers caused them to concentrate solely on the uneven flow of countervailing and antidumping cases. On the other hand, if policy guidance were shifted out of Treasury, and if the Customs officers were not also transferred, other management inefficiencies would arise from the problems of coordination between two different agencies.

### Trade Negotiations

Under all options, including those offered by OMB, the conduct of trade negotiations would remain under the STR. Recent successful completion of the MTN indicates

that policy formulation for and conduct of trade negotiations is highly satisfactory under the present system.

## OPTION 2

We recommend Option 2 if you believe that a drastic reorganization of our trade apparatus is required. The approach we offer would consist of both a U.S. Trade Policy Administration to formulate, negotiate and administer trade policy and the U.S. Export Corporation outlined in Option 1. These two organizations would be located outside the Executive Office and would report to the STR through two Deputy STRs. Both organizations would be staffed by existing personnel drawn from STR, State, Treasury, and Commerce.

### Central Structure

The Special Trade Representative should remain in the Executive Office of the President with Cabinet rank. He should continue as chief U.S. trade negotiator and central coordinator of trade policy. He would, however, delegate direct operational responsibility for administering trade actions to his two deputies.

The Cabinet-level Trade Policy Committee would be reconstituted as the Trade Policy Board (TPB), chaired by the STR and located in the Executive Office. State, Treasury, Commerce, Agriculture, Labor, Energy, the Attorney General, the Chairman of the Council of Economic Advisers, and the Chairman of the Federal Reserve Board would be represented on the Trade Policy Board. Subgroups of the Trade Policy Board would be chaired by appropriate agencies to coordinate particular policy areas. For example, Treasury would chair a subgroup on export finance policy; Energy would chair a subgroup on energy trade policy; State would chair a subgroup on commodity policy. Private sector advice would reach the TPB through the existing Advisory Committee for Trade Negotiations and the President's Export Council.

The STR and TPB, which both remain in the Executive Office, would be supported by a staff of about ten persons. This staff would perform the honest-broker function in the interagency policy formulation process. The staff would assure that important issues are presented in a timely fashion.

### U.S. Trade Policy Administration

A U.S. Trade Policy Administration (USTPA) would be established outside the Executive Office. It would be headed by an Administrator who would be a Deputy STR with ambassadorial rank. The USTPA would assume all current operational functions of the Office of the Special Trade Representative, plus responsibility for implementing U.S. trade agreements and for administering the anti-dumping and countervailing duty statutes.

Our preferred approach would leave antidumping and countervailing duty cases in the Treasury. But if political considerations dictate that this administration must be shifted, we think it is vital that the administration not be shifted to a constituency agency--the Commerce Department. Rather, these cases should be handled by an independent administration, free of protectionist bias, reporting to the STR in the Executive Office and to a broad-based Trade Policy Board (TPB).

The Trade Policy Administrator's responsibilities would also include: interagency coordination; trade and textile negotiations; liaison with private sector advisory groups; monitoring compliance and enforcement of U.S. rights under MTN codes; implementing Sections 201 (escape clause) and 301 and 337 (unfair trade practices) of the Trade Act of 1974; and representing the United States in meetings of the GATT.

The staff would include the present STR plus existing staff drawn from Treasury to administer antidumping and countervailing duty statutes.

### U.S. Export Corporation

As in Option 1, this option also contemplates a new U.S. Export Corporation, built around the existing Eximbank. The only difference is that, in Option 2, the President of the U.S. Export Corporation would be a Deputy STR with ambassadorial rank, reporting to the STR.

### FUNCTIONS NOT INCLUDED IN REORGANIZATION

Neither the mood of the country nor good policy demand that all trade activities be combined into one agency. To do so would create a vast and cumbersome bureaucracy. Both Options 1 and 2 leave many functions where they are.

### Agriculture Department

The export promotion activities of the Foreign Agricultural Service and the Commodity Credit Corporation are effective and enjoy support from Congress and the public. They should not be moved from Agriculture. Agricultural trade negotiations would continue to be conducted by the STR. The Commodity Credit Corporation would receive general policy guidance from the TPB and more specialized guidance from an export finance subgroup.

### State Department

Lead responsibility for commodity policy and negotiations remains in State since these matters are the political heart of the North-South dialogue. East-West trade negotiations, jointly managed by State and Treasury and now in a delicate stage with active normalization of economic relations with China and Russia, remain at the discretion of the President.

### Commerce Department

The technical issues involved in export control are best handled by the industry experts at Commerce. Industry analysis, a central interest of Commerce which deserves greater attention, remains in that department. Trade adjustment assistance responsibilities and administration of the textile program both benefit from the industry expertise of Commerce and should remain there.

### Treasury Department

Investment policy revolves around financial and tax issues of primary concern to Treasury. Foreign assets control primarily involves financial and enforcement questions, not trade issues.

### EVALUATION

Option 1 best responds to the real needs of the nation: an energetic export drive, not a concentration of import relief under one roof. If you give this approach your strong endorsement, we believe that we can gain the support of the country and the Congress.

The approach outlined in Option 2 would guard against a protectionist tilt in the administration of import relief actions, safeguard our international economic interests,

and--most importantly--lay the groundwork for an energetic export drive. The approach would be warmly received by the Congress and by business.

Three important objections can be raised against these options. First, they do not answer Labor's devout desire to design a more restrictive trade apparatus. Second, they would not serve as a vehicle for bolstering the Commerce Department. (Indeed, Commerce, like Treasury and State, would contribute substantial staff to the new apparatus.) Third, these approaches might be derided as government proliferation, even though (like the OMB approach) they merely reorganize existing units and add few, if any, new government personnel.

We think these various objections must yield to far more weighty national policy goals -- an aggressive export drive integrated into a coherent and liberally-oriented trade policy.

OPTION 1: Create a new U.S. Export Corporation building on the existing Eximbank. Leave trade policy coordination, trade negotiation, and counter-vailing and antidumping responsibilities where they are.

Recommended by: State and Treasury

Approve \_\_\_\_\_ Disapprove \_\_\_\_\_

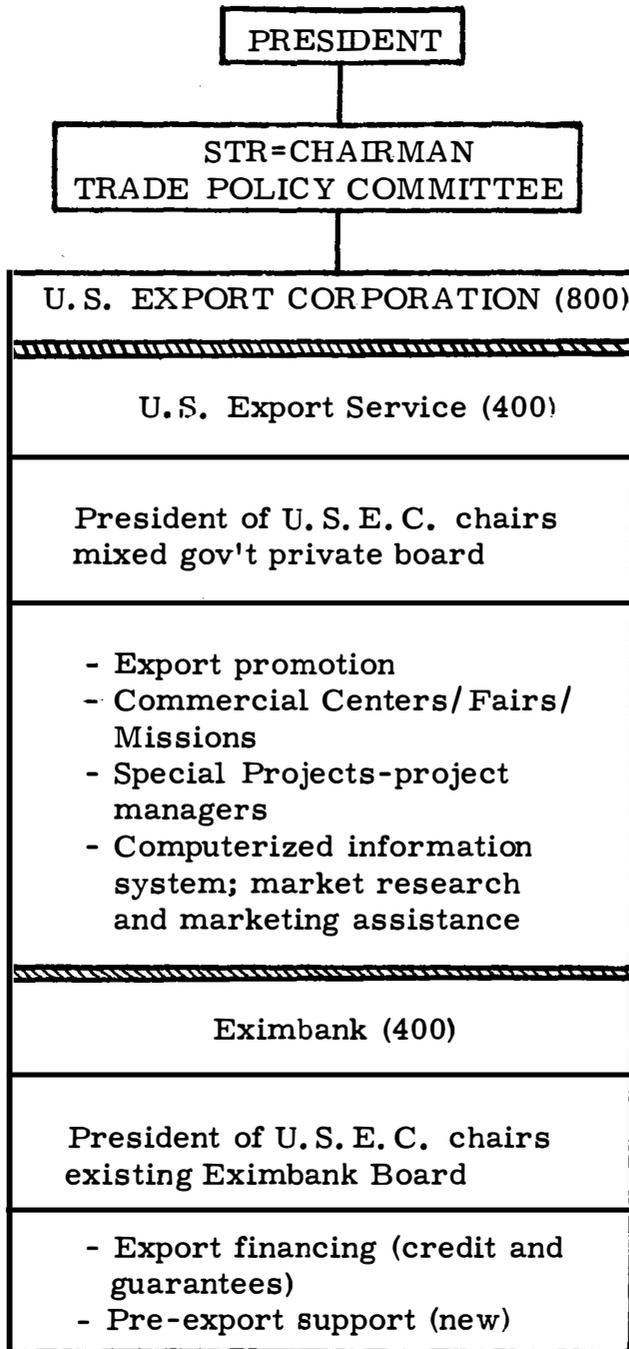
OPTION 2: In addition to the new U.S. Export Corporation, create a new U.S. Trade Policy Administration under the direction of STR and a reconstituted Trade Policy Board, both of which remain in the Executive Office.

Acceptable to: State and Treasury

Approve \_\_\_\_\_ Disapprove \_\_\_\_\_

  
Cyrus R. Vance  
Secretary of State

  
W. Michael Blumenthal  
Secretary of the Treasury



PRESIDENT

OPTION '2

STR-CHAIRMAN

Trade Policy Board (10)

U.S. Trade Policy Administration (290).

Deputy STR-Administrator

Policy Coordination

Trade and textile negotiations

MTN follow-up

- Liaison w/ private sector
- Monitoring and enforcement of Codes compliance

Escape clause actions -  
Coordination of advice to  
President

Section 301 and 337 - (unfair trade  
practices) remedies - Investiga-  
tion & dispute settlement

Administration of dumping and  
countervailing duties

U.S. Export Corporation (800)

U.S. Export Service (400)

President of U.S.E.C. chairs  
mixed gov't private board

- Export promotion
- Commercial Centers/Fairs/  
Missions
- Special Projects-project  
managers
- Computerized information  
system; market research  
and marketing assistance

Eximbank (400)

President of U.S.E.C. chairs  
existing Eximbank Board

- Export financing (credit and  
guarantees)
- Pre-export support (new)

EIZENSTAT

THE WHITE HOUSE

WASHINGTON

July 3, 1979

MEMORANDUM FOR: THE PRESIDENT  
FROM: STU EIZENSTAT *Stu*  
SUBJECT: Trade Reorganization

My general views on trade reorganization are set out in my May 8 memo on the subject. In considering the various reorganization options, I have been guided by your direction that we seek the organizational structure that will be in the best interest of the country, without letting our recommendations be dictated by concerns over "turf".

In my view, our trade reorganization effort should seek to accomplish two fundamental objectives:

(a) On the export side, we should propose the organizational structure that will most effectively promote exports.

(b) On the import side, we should propose the organizational structure that will fairly enforce our trade statutes, while at the same time effectively resisting protectionist, inflationary pressures.

Our trade structure also needs a strong STR as a central coordinating mechanism and chief officer of trade policy. The OMB option and both of the options presented by Treasury retain STR in this vital role.

Both the OMB and the Treasury options represent a significant upgrading of the trade function. There are two basic differences between the OMB and Treasury approaches to reorganization:

(1) On the export side, Treasury would create a new U.S. Export Corporation, modeled on the concept of Eximbank and including the Bank and an export services arm. OMB would expand the export functions of Commerce.

(2) On the import side, OMB would move Treasury's import relief functions (antidumping and CVDs) to Commerce. Treasury favors retaining these functions but would be prepared to have them moved to STR if you feel that the political pressures for import realignment are compelling.

### Export Reorganization

The concept of a U.S. Export Corporation is in many respects a fresher, more innovative approach than the shuffling of boxes among existing agencies contemplated by OMB. The Export Corporation would be modeled after the Eximbank, perhaps the only aspect of our present export effort that is well regarded by the public and the business community. By contrast, there are widespread complaints in the business community (reflected in recent newspaper articles) that Commerce's export promotion activities are ineffective. Treasury believes the Export Corporation would be building on the strength of Eximbank and would be able to attract the kind of high-quality personnel that are essential for a successful export promotion effort.

The OMB criticism that the Export Corporation concept would be complicated and create additional units of government is overstated: a simplified version of the Export Corporation concept could probably be implemented by adding an export services division to the existing Eximbank structure and by drawing on the same resources and personnel as the OMB proposal.

The OMB approach to export reorganization also has its advantages, however. It is somewhat simpler, would probably avoid initial logistical problems, and does build on the existing role of the Commerce Department. It thus tracks the existing Jones Bill in the House. Moreover, if the Commerce Department is being kept as a Cabinet level department it should be beefed-up and given more responsibility.

In sum:

(1) If you want to propose a new thrust for U.S. export performance, you should favor the Treasury option of an Export Corporation.

(2) If you prefer to beef-up Commerce as part of this reorganization, I would recommend you do it here on the export side (as opposed to import reorganization). Marginally, I prefer this option, which is the OMB/Strauss option.

### Import Reorganization

I opposed moving Treasury's import functions to Commerce in May (as did OMB and every agency except Commerce) and I continue to do so. I am concerned that such a move might

*Why not  
Export  
Corp in  
Commerce?*

impart an inflationary bias to the execution of our trade statutes, and we simply cannot afford that risk.\*

I think that the Treasury option of leaving the import functions where they are best serves the national interest. In that connection, Treasury has received authority from OMB for 100 new positions in the import relief area -- this will enable it to fully staff these cases and meet the new time limits under the MTN codes, thereby going a long way toward meeting legitimate (i.e., non-protectionist) complaints about its past performance.

However, I do not believe politically we can sustain a position of keeping current countervailing duties and anti-dumping enforcement in the Treasury in light of the unduly held view in Congress that Treasury does not adequately enforce these provisions.

If, as I believe is the case, we must move these functions out of Treasury I recommend that they go to STR. Although this may focus increased interest group pressure on the White House as individual cases are being decided, it avoids the dangers inherent in shifting import relief functions to a business-oriented department. Thus, hereto, I favor the OMB/Strauss recommendation.

#### Other Issues

I would keep the TPC out of international energy matters (page 24 of the OMB memo). We are already committed to treating energy on a sectoral basis, crosscutting domestic and international lines. In addition, some of the other international negotiations, such as commodity negotiations (page 23), while trade-related, are primarily pursued to advance foreign policy (e.g., North-South) objectives. These negotiations have generally been well handled and are not the subject of outside criticism. Perhaps the best organizational approach would be to coordinate negotiations through the TPC while maintaining negotiating authority in the relevant line agency.

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\* There can be no doubt that Commerce is much more oriented toward import relief than Treasury. Commerce's initial, basic position (the one they would prefer if other agencies would go along) in trade cases usually favors the maximum import restraint, while Treasury is invariably opposed to import relief. While Commerce often winds up with the same final position as STR, it is only after it has compromised on its original request for more relief.

Bill or Plan?

One key procedural issue is whether we should offer our proposal as legislation or as a reorganization plan. In the natural resources reorganization, our main fear was that we wouldn't get all the changes we wanted. In trade, we face the opposite problem: Congress may be willing to transfer additional functions in a manner inconsistent with the Administration's policy objectives. Although the plan approach can pose a tough problem -- namely getting Ribicoff and Byrd to go along -- it undeniably has several major advantages over legislation:

(1) Legislation is inherently less controllable. With legislation, we face major risks of amendments that will, e.g., create a new department or take extremely undesirable policy actions such as shifting import relief functions to the ITC. Administration resources would be needed to defeat unfriendly amendments at a time when these resources could be better used elsewhere. Even then, we could easily wind up with a Christmas tree bill -- which might be politically difficult to veto.

(2) This would appear to be an ideal situation for reorganization by plan. The OMB option or a simplified version of the Treasury option could be implemented without creating new Government entities and would involve the transfer of less than 500 personnel between agencies. Therefore, it would be hard for Congress to argue that, as a matter of principle, this reorganization is too large to be implemented by plan. Opponents of reorganization by plan are undoubtedly motivated less by the differences between a plan and a bill than by a desire to control the final shape of the reorganization -- with significant potential for embarrassment to the Administration in the process.

(3) It is hard to imagine that a reorganization plan would be defeated simply because it didn't go far enough. Even if Congress did appear to be leaning against our reorganization plan, we could propose our own amendments that would meet their concerns in the least damaging way.

Therefore, I recommend that we make every effort to implement your decisions through a reorganization plan.

CONGRESSIONAL  
LIAISON

### House Liaison

Our credibility on trade would be severely damaged if we failed to try to do something to make order out of apparent conflict within the Administration. We should submit the broad outlines of a proposal like STR/OMB and agree to work with the Hill to come to a satisfactory result without getting committed to bleed and die over some small jurisdictional disputes among executive branch agencies. Further checking makes it more clear that the OMB/STR option, to the extent it follows Jones Frenzel, is the best way to proceed on the House side. Congressman Bill Alexander, as well as the others who are on affected committees, MUST be pre-notified of any decision.

P.S. It is also clear that we will leave agencies actively opposing whatever the President decides.

### Senate Liaison

Concurs with the STR/OMB recommendation.

OTHER STAFF &  
AGENCY COMMENTS

## SUMMARY OF AGENCY AND WHITE HOUSE COMMENTS

AGRICULTURE: USDA supports the OMB/STR recommendation. USDA especially endorses the transfers of commercial officers out of State and the responsibility for commodity agreement negotiation from State to STR. USDA strongly supports strengthening sectoral analysis capability in Commerce. While expressing some reservations about transferring impact relief functions from Treasury to Commerce, USDA agrees that subjecting import relief to coordination by the Trade Policy Committee should provide a check on any protectionist leanings by Commerce.

USDA strongly opposes the Treasury/State option because it creates unnecessary bureaucratic units.

COMMERCE: Commerce opposes the Treasury-State options and disputes, with documentation their central premise that Commerce is institutionally protectionist. It cites as fatal defects these aspects of the Treasury/State proposal: (1) it creates two new bureaucracies; (2) both will be perceived as new appendages to the EOP; (3) this "reorganization" would leave an irrational and gutted Commerce Department; and (4) by separating rather than consolidating trade functions, it runs contrary to all of the Hill proposals.

Commerce states that the OMB/STR proposal has organizational as well as political merit. It (1) builds on the department extensively involved in trade, (2) avoids the creation of a new department or agency, (3) links "trade" functions and domestic industry expertise (trade statistics, adjustment assistance, industrial innovation, productivity), (4) creates, like our competitor nations, a department of trade with across-the-board trade responsibilities, including both "carrots" and "sticks."

EXIMBANK: Eximbank supports a modified version of the Treasury/State proposal. Exim recommends that the Chairman of Exim, the head of the proposed U.S. Export Service, and the head of the proposed U.S. Trade Policy Administration each be named Deputy STR's and report directly to the Trade Policy Board. Exim sees no value in joining it and the Export Service in an umbrella Export Corporation. Exim also specifically rejects the OMB/STR recommendation that the Secretary of Trade and Commerce chair the Eximbank, claiming that the Secretary would devote insufficient attention to that role. Exim asserts that its constituency is quite pleased with the Bank's performance, which in turn has been consistent with overall U.S. trade policy. If there is a need to strengthen Exim coordination with Commerce, Exim would accept the Secretary of TAC serving as a non-voting member of Exim's Board or as Chairman of the NAC.

LABOR: Labor prefers the OMB/STR proposal, including the transfer of commercial officers from State, the recommended handling of MTN implementation, transfer of Treasury's CVD and antidumping functions, and transfer of ITC's unfair trade practice case responsibility. They recommend Labor Department membership on the proposed Trade Negotiating Committee. They argue that OMB/STR misreads the AFL-CIO's posture toward STR and assert that organized labor would strongly support "an STR strengthened in terms of policymaking and coordination." They suggest that all sectoral analytic capabilities, including those of Labor and Agriculture, be coordinated by the Trade Policy Committee. Finally, regarding export credit policy, Labor prefers STR's position over OMB's, namely that such policy should be under the oversight of the TPC rather than Treasury/NAC. Labor claims that Treasury/NAC negotiators have lacked sufficient leverage to contain other countries' subsidized export credits.

KAHN and SCHULTZE (JOINTLY): They prefer the Treasury/State option. They term the proposed U.S. Export Corporation "appealing" and "likely to be politically viable." If the import relief mechanism must be reorganized, they prefer Treasury/State's Trade Policy Administration to a Department of Trade and Commerce. They term the OMB/STR proposal "acceptable," except for the centralization of all import relief in Commerce -- a move they regard as protectionist and therefore inflationary.

PETTIGREW: Pettigrew reports on extensive interest group consultations and strongly supports the OMB/STR. He reports that representatives of the Business Roundtable, NAM and Chamber of Commerce all reacted negatively to the Treasury/State options, as did some farm groups. The Treasury/State options do not address at all business' real priority, which is vigorous implementation of MTN, not enhanced government export services. He cites business and farm groups as most desirous of maintaining a strong STR to coordinate trade policy and negotiations. He recommends that STR be added to the Economic Policy Board. He believes the AFL-CIO would oppose the Treasury/State proposal, since its chief concern is that responsibility for trade negotiation be separated from responsibility for enforcement of import relief measures.

Pettigrew reports that outside of NAM, no significant constituency in the business, labor, or farm sectors favors a separate trade department. No significant constituency would oppose transferring the commercial officers or removing from Treasury its import relief functions. Commerce was much criticized, particularly by business, during the consultation process, with two recurring themes being the need for stronger sectoral analysis and removal from Commerce of "distractions" like NOAA. He recommends as symbolically attractive complete deletion of "Commerce" from the name of the new department, suggesting instead "Trade and Competition" or "Trade and Economic Development."

NSC/OWEN: Owen believes that a strengthened STR should continue its current negotiating function and coordinate major trade policy; that this proposed U.S. Export Corporation should be established, but answer to Commerce; and that Commerce should assume new functions to implement MTN and enhance its sectoral analysis. He opposes moving Treasury's import relief function to Commerce. Brzezinski agrees with Owens, is concerned about the need to coordinate national security implications of trade, and notes that the abolishment of CIEP diminished the White House role in trade policy.

WEXLER: Wexler strongly supports the OMB/STR proposal because of its appeal to Congress and interest groups and its prospect of more effective and rapid implementation.

THE WHITE HOUSE

WASHINGTON

June 21, 1979

MEMORANDUM FOR: THE PRESIDENT  
FROM: DICK PETTIGREW *Dick*  
SUBJECT: Comments on Trade Reorganization Options

You have been presented with competing trade reorganization options by OMB/STR and Treasury/State. I have had the opportunity to consult intensively with business, labor and farm groups on this matter. Without doubt, the OMB/STR proposal best addresses the legitimate concerns these groups have expressed to me over and over regarding our current trade organization.

Generally, the three principal constituencies would have the following trade reorganization objectives:

Business. Most importantly, aggressive implementation of MTN, trade policy consistency and effective international representation on trade matters -- all best achieved in business's view by a strong STR-like entity operating out of the EOP. While business certainly wants to expand exports, no leading business groups seek reorganization as the chief means to that end. Treasury/State are flatly wrong in crafting and rationalizing a reorganization proposal (i.e., the U.S. Export Corporation) on the principal basis of export services and promotion. Business Roundtable, NAM and Chamber of Commerce representatives have all reacted negatively to the Treasury/State proposal. Business will support the Commerce enhancements proposed by OMB/STR, but even these are secondary to its chief goal of preserving a strong trade policy coordinator and negotiator in the EOP and ensuring a strong MTN enforcement mechanism.

The Chamber of Commerce and others want the STR also to be your chief international economic policy adviser. I feel the STR should be added to EPG, to which you have assigned responsibility for developing national and international economic policy.

Labor. Chiefly, a trade bureaucracy more concerned about the domestic impacts of imports and the legitimate need for relief from the job-threatening risks of unfair trade. Operationally, this objective leads labor (we have had extensive discussions with the AFL-CIO and some of its constituent unions) to recommend separation of responsibility for trade negotiations from responsibility for enforcement of import relief measures (especially countervailing

duties and anti-dumping). In their view, U.S. negotiators should not be compromising with foreign governments on matters of compliance and enforcement. Thus, labor tends to favor a somewhat weaker STR than business; however, labor has no reservation about the Commerce enhancements proposed by OMB/STR. In short, I would expect most of labor to support the OMB/STR proposal.

Agriculture. Chief proponent of a "neutral broker," i.e., STR, who can insure that agriculture views receive fair consideration in trade policy formation and international negotiations. Farm groups are very strong supporters of STR, which they view as sufficiently neutral, accessible and responsive, and powerful vis-a-vis Cabinet Departments. They would be most opposed to giving lead policy and negotiation responsibility to a Commerce-based department because of its perceived industrial constituency. They would be concerned that the Treasury/State proposal (i.e., their more ambitious option), by giving STR responsibility for trade promotion programs serving industry, would compromise STR's essential neutral broker role. In short, agricultural groups clearly favor the OMB/STR recommendations.

I would like to point out a few other areas of consensus identified in our consultation process:

1. With the sole exception of NAM (and even it is wavering), no interest group -- business, labor, or farm -- wants a separate trade department. Some business and farm groups might accept a small trade agency that was essentially STR with full policy, negotiation, and enforcement authority.

2. No significant constituency -- business, labor, agriculture -- would oppose transferring the commercial attaches out of State.

3. No significant constituency -- business, labor, agriculture -- would oppose removing from Treasury its countervailing duty and dumping functions (though there are differences of opinion as to whether STR or Commerce represents preferable placement).

(Wherever these functions are located, I would argue an important point that is at odds with the Treasury/State analysis. Although many would favor further reducing tariff and non-tariff barriers to trade, the multinationals now recognize that the MTN is vitally important because it establishes rules for fair, not "free," trade. These rules must be effectively enforced if American business is to be more competitive. A soft enforcement policy under MTN will negate the advantages that have won it strong political support.)

4. Most of the interest groups we consulted, and particularly the business sector, were very critical of Commerce as a department. Two common strains of discussion appeared -- Commerce's Industry and Trade Administration is weak (sectoral analysis), and Commerce has too many "distracting," "unrelated" responsibilities to pursue a clear trade and economic development mission. NOAA was most often cited as the chief distraction. In addition, a more complete name change, deleting "Commerce" altogether, would be symbolically attractive (e.g., Department of Trade and Competition, or Trade and Economic Development), and would underscore your commitment to its renewed vitality in trade and business advocacy.

5. Although Ambassador Strauss is unique, all interest groups are particularly emphatic that his successor as STR must be a national figure able to handle Cabinet officers and the many conflicts that must be resolved by the STR under the OMB/STR option.

With Strauss and Wolff no longer available, many interest groups have questioned whether an appropriate successor presently exists within the Administration.

I believe the OMB/STR proposal is responsive, in a balanced manner, to real concerns expressed by trade constituencies. I strongly recommend it to you. The Treasury/State proposals are out of touch with the concerns of the chief trade constituencies, and administratively convoluted as well.

THE SECRETARY OF COMMERCE  
WASHINGTON, D.C. 20230

June 21, 1979

MEMORANDUM TO THE PRESIDENT

Subject: Trade Reorganization

The trade reorganization process has aroused bureaucratic passions to an extraordinary degree. They have not escaped my Department. However, the overriding objective is to go forward with a strong trade reorganization that well serves the national interest. I believe that the OMB option best serves that end, and that would be my view if I had no institutional stake in the outcome. Here is my brief assessment of the options.

Treasury's Latest Option

The current Treasury-State proposal represents at least their fifth position. It was devised last Tuesday, supplanting their plan of five days before. Like its immediate predecessor, this proposal has not been staffed or considered in the interagency process that has been working for more than ten weeks.

The self-serving premise of this and all other Treasury-State plans has been the argument that Commerce is protectionist, constituent oriented, weak, etc. Their notions appear to be based on impressions at least a decade old. Their repeated attack that Commerce has a protectionist record in trade is contradicted by the facts, to which they do not refer. The attached paper documents the record of both STR and Commerce (the likeliest new homes for import functions) on escape clause cases and belies the assertion that Commerce has been protectionist. Moreover, Treasury and State disregard the fact that protectionism is not an institutional issue: under John Connally the Treasury Department was the leader of protectionist forces.

The latest Treasury-State proposal has a number of defects, each of which is alone sufficient to make the proposal unworkable.

- o It would create two new bureaucracies, a proposal contrary to the mood of both the public and Congress. To perform their assigned functions adequately would require far more than the understated numbers presented in the Treasury paper.

- o Whatever efforts are made to make the new entities "free standing," they will be viewed as appendages to the Executive Office of the President, reversing your efforts of the past two years.
- o By taking away the core of the Department of Commerce, this proposal would -- in the name of reorganization -- leave an irrational and disjointed department that would itself become a greater organizational problem than the presently dispersed trade functions.
- o Contrary to all proposals on the Hill, the preferred Treasury-State option would not consolidate, but would separate in three different agencies, export expansion, export controls, and import controls.

#### The OMB Proposal

The proposal to create a Department of Trade and Commerce -- recommended by the reorganization staff, OMB, Bob Strauss, Stu Eizenstat, and me -- is the most logical institutionally, the best designed to deal with the trade issues we will face in the '80s, and the most politically balanced. It has the following specific advantages:

- o It will build on the department most extensively now engaged in trade activities. Commerce already is responsible for essentially all export expansion functions and export control functions, and its 1250 trade employees dwarf parallel numbers in STR (60), State (198), or Treasury (59).
- o It will place "trade" functions and industry sector expertise in the same department. They are inextricably intertwined, for trade issues are increasingly sector issues (e.g., steel, textiles, footwear). It is increasingly artificial to seek to separate domestic and international business issues, and a reorganization that attempts to do so would fail to meet the growing international trade challenges.
- o A Department of Trade and Commerce would also be responsible for a number of other issues intimately linked with trade:
  - Foreign trade statistics
  - Industrial innovation
  - Productivity
  - Trade adjustment assistance

- o It will create what all advanced competitor nations already have -- a trade department. This department would include both "carrots" and "sticks," allowing it to deal with trade issues across the board.
- o It will build on a department we have succeeded in strengthening substantially during this Administration.

Over the last two years we have done much to upgrade the performance of the Commerce Department. The results include an outstanding senior staff, greatly improved work product, and a promising future. We have come quite a long way, although the public image tends to lag behind the fact; we also have much more to do. In my judgment, the reorganization that OMB and Bob Strauss propose would greatly advance the revitalization process that is now underway and that is necessary to create the type of professional department needed in the future to deal with trade and private sector issues. Conversely, I believe that a decision to weaken and narrow the central responsibilities of this Department would be a serious blow and would more than undo the progress we have achieved.

I have spoken with Ribicoff, Roth, and key Congressmen. I am convinced the OMB option would be welcomed and would pass on the Hill. I am also confident that the Department could perform its new functions and perform them well.

  
Joanita M. Kreps

## Import Relief Cases Requiring Presidential Decision

A review of 28 import relief cases, and the TPSC recommendation and agency votes on each, indicates the following:

1. The Commerce Department voted to deny import relief in 18 of the 28 cases. Of the 10 cases where Commerce favored relief, its vote was inconsistent with the Administration's ultimate decision in only three.
2. The votes of STR and Commerce were the same in 24 of the 28 cases.

Of the four cases in which STR and Commerce split, STR took the "free trade" position in two (nonrubber footwear and bicycle tires and tubes), and Commerce voted the "free trade" position in the other two (unwrought copper and high carbon ferrochromium)

The details of each case and the votes of STR and Commerce (which are confidential) are listed below.

### Cases In Which STR and Commerce Voted the Same

Asparagus  
Specialty steel  
Slide fasteners  
Stainless steel flatware  
Mushrooms  
Ferrocyanide pigments  
Earthen and china dinnerware  
Shrimp  
Honey  
Sugar  
Mushrooms (reinvestigation)  
Nonrubber footwear (reinvestigation)  
Television receivers  
Bearing steel  
Cast iron stoves  
Bolts, nuts, large screws  
Specialty steel  
High carbon ferrochromium  
Citizens band radios  
Stainless steel flatware (reinvestigation)  
Nuts, bolts, large screws (reinvestigation)  
Fishing tackle  
Clothespins  
Specialty steel

### Four Cases In Which STR and Commerce Split

Nonrubber footwear  
Unwrought copper  
Bicycles tires and tubes  
High carbon ferrochromium (re-  
investigation)



# EXPORT-IMPORT BANK OF THE UNITED STATES

WASHINGTON, D.C. 20571

June 22, 1979

PRESIDENT  
AND  
CHAIRMAN

CABLE ADDRESS "EXIMBANK"  
TELEX 89-461

## MEMORANDUM FOR THE PRESIDENT

FROM: John L. Moore, Jr. *JLM*

SUBJECT: Comments on Trade Reorganization Proposals Submitted by STR/OMB and by Treasury/State

### Treasury/State Proposal

We support a modified version of Option 2 in the Treasury-State Option Paper. Our modification concerns the proposed U.S. Export Corporation. Nothing is gained by combining Eximbank with the proposed U.S. Export Service to form a U.S. Export Corporation. Instead, we suggest that the President of the U.S. Export Service and the Chairman of Eximbank report directly to the Trade Policy Board, along with the Deputy-STR heading up the U.S. Trade Policy Administration. The President of the U.S. Export Service and the Chairman of Eximbank would have Deputy STR rank (although there may be no need to call them as such).

### STR/OMB Proposal

We reject the idea of having the Secretary of Commerce and Trade also serve as the Chairman of Eximbank. The Chairmanship of Eximbank is a full-time job. We do not see how this reorganization idea improves the current situation by giving us a part-time Chairman. Eximbank is currently viewed as highly effective by the business community. To be tied directly to Commerce in the proposed way could imply a dilution of effectiveness through bureaucratic attachment.

If there is a need to strengthen Eximbank coordination with Commerce, we would propose the following three options:

#### OPTION 1.

The Secretary (or designee) of TAC shall serve as an ex-officio member (without vote) of the Board of the Export-Import Bank.

The President of the United States  
June 22, 1979  
Page 2

OPTION II

The Secretary (or designee) of TAC shall serve as Chairman of the NAC.

OPTION III

The Chairman of the Export-Import Bank shall consult on a regular basis (monthly) with the Secretary (or designee) of TAC to insure that the programs and policies of Eximbank are consistent with the National Export Policy.

We support reorganization that increases Eximbank's effectiveness and would therefore disagree with the characterization of Eximbank presented on page 10 of the STR/OMB proposal. We take issue with the assertion that Eximbank has supported transactions where other commercial bank financing has been available. We have not heard one complaint from the commercial banks that we have infringed on their own lending programs. Present Eximbank policies and structure have not shown any inconsistency (as stated on page 10) between our activities and overall trade policies. To the contrary, the OMB/STR proposal to place the Chairmanship of Eximbank in the Department of Trade and Commerce would send a signal that an agency which is doing a good job is being changed.

JLM:kcb

THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

June 21, 1979

MEMORANDUM FOR THE PRESIDENT

From: Fred Kahn *Fred*  
Charlie Schultze *CS*

Subject: Trade Reorganization

We are opposed on principle to the proposal to centralize all import relief mechanisms in the Department of Commerce, as is recommended in the McIntyre/Strauss memorandum on Trade Reorganization (pages 12-14). We feel strongly that this issue is substantive, and not merely a problem of turf between agencies. If accepted, this proposal would mark a clearcut increase in the protectionist -- and inflationary -- nature of U.S. trade policy.

The rest of the McIntyre/Strauss proposal does not suffer from this failing, and is thus acceptable to us.

On the other hand, we feel that the Blumenthal/Vance alternative is quite creative and, on balance, would be preferable. The notion of a U.S. Export Corporation is appealing and likely to be politically viable. And if in your judgment the import relief mechanism must be reorganized, their proposed Trade Policy Administration is much preferable to the McIntyre/Strauss proposal for a Department of Trade and Commerce.

THE WHITE HOUSE

WASHINGTON

June 22, 1979

MEMORANDUM FOR THE PRESIDENT

FROM:

ANNE WEXLER *Ann*

SUBJECT:

McIntyre Memorandum Re: Revised  
Trade Reorganization

I strongly support the position of Jim McIntyre and Bob Strauss.

- There will be less internal upheaval;
- It can be implemented more expeditiously;
- It will be more popular with most constituent groups; and
- It has a better chance of success on the Hill.

THE WHITE HOUSE  
WASHINGTON

June 22, 1979

MEMORANDUM FOR: THE PRESIDENT  
FROM: ZBIGNIEW BRZEZINSKI   
SUBJECT: Trade Reorganization Plan

I support Henry's recommendations for the Trade Reorganization Plan (Tab A). I am concerned, however, that the need to coordinate the national security implications of trade is not explicitly addressed. A number of potential issues serve as examples: security aspects of oil trade; technology transfers not in our military interest; export controls for implementation of non-proliferation, human rights, etc. policies; trade relations which impact on the Long Term Defense Plan for NATO; and economic diplomacy with China, the USSR, and Eastern Europe.

The abolishment of the White House based Council on International Economic Policy has diminished the coordinating role of the White House in trade policy. Perhaps OMB should devise a coordinating mechanism that would ensure a stronger White House/NSC role in the determination of that policy.

MEMORANDUM

THE WHITE HOUSE  
WASHINGTON

June 22, 1979

MEMORANDUM FOR: THE PRESIDENT

FROM: HENRY OWEN ~~vs~~

SUBJECT: Trade Reorganization

You have memos from Jim McIntyre and Bob Strauss, on the one hand, and Cy Vance and Mike Blumenthal on the other. I favor an approach that incorporates elements from both their memos and that is a variant of Option 1 in the memo from Cy and Mike:

-- A strengthened STR would continue its current negotiating functions and coordinate all major trade policy matters.

-- The proposed U.S. Export Corporation would lead the Administration's promotion of U.S. non-agricultural exports; it would answer to the Commerce Department, rather than be an independent entity as Cy and Mike propose.

-- Commerce, perhaps renamed as Jim and Bob suggest, would assume new functions to implement the MTN agreements and would enhance its capability for sectoral analysis.

If you accept this approach you will wish to take the decisions recommended at Tab A, which addresses the same issues as the Appendix to the memo from Jim and Bob.

These recommendations reflect (i) my agreement with State and Treasury that transferring import relief functions from Treasury to a constituency-based department (Commerce) could lead to more protectionist positions on these issues; (ii) my agreement with Bob and Jim on the need to revitalize the Commerce Department, by strengthening its export promotion role and assigning it important post-MTN functions; (iii) my agreement with all concerned on the need to improve the policy guidance and coordination that STR, in the Office of the President, can give to U.S. trade policy.

TRADE REORGANIZATIONRecommendations Regarding Individual Units and Functions

- o Make no change in the Eximbank Board.
- o Commercial officers should be assigned to the Export Corporation, as recommended by State and Treasury.
- o Commerce, Agriculture, and Labor should be strengthened for post-MTN implementation and monitoring, as per the Strauss/McIntyre proposal.
- o Antidumping and CVD responsibilities should not be transferred from Treasury.
- o Unfair import practice cases and tariff nomenclature functions should be transferred to Commerce.
- o Responsibility for negotiating commodity agreements should be retained in State, coordinated through the Trade Policy Committee (TPC).
- o Import relief should be coordinated by the Trade Policy Committee.
- o International investment policy should not be coordinated under the Trade Policy Committee.
- o Energy trade should be coordinated by the Trade Policy Committee
- o East-West trade policy should be coordinated by the Trade Policy Committee; the Foreign Trade Board should be abolished.
- o Export credit policy coordination should be retained in the Treasury-chaired National Advisory Committee.



JUN 21 1979

MEMORANDUM FOR: JAMES MCINTYRE  
Director, OMB

FROM: HOWARD D. SAMUEL  
Deputy Under Secretary of Labor  
for International Affairs

SUBJECT: Trade Reorganization

HDS

After careful review I would like to make several recommendations for the presidential decision memorandum on trade reorganization. Although Secretary Marshall is out of town today, trade reorganization has been a major concern for him, and these comments reflect his view.

The Labor Department has a deep concern about its omission from membership on the proposed Trade Negotiating Committee and likewise urges a recharacterization of the views of organized labor, which I have heard first hand on a number of recent occasions. In addition we have some technical suggestions for the memorandum.

#### Membership of Trade Negotiating Committee

The Labor Department should certainly be a member of the Trade Negotiating Committee (page 5, second bullet). Labor's absence would undermine the labor advisory committees for trade, which have demonstrated their political effectiveness in the MTN process.

#### Labor Movement Views

References to AFL-CIO dissatisfaction with STR are inaccurate and should be deleted. On page 7, option 1, the phrase that the AFL-CIO "is dissatisfied with STR" should be dropped; likewise on page 9, first bullet, the parenthetic reference to AFL-CIO views should be dropped.

In fact, labor only opposed expanded negotiating authority for STR -- or any agency -- a position which has been met by current MTN legislation. Labor strongly supports an STR strengthened in terms of policy-making and coordination. To this end, a final new sentence should be added to the labor views paragraph, page 3: "Labor does support a strengthened interagency coordinating role for STR, including a wider trade policy involvement for the Labor Department."

### Export Credit Policy

Export credit policy should, as recommended by STR, be included as a responsibility of the TPC (page 6). Treasury/NAC negotiators in the past have been unable to mobilize sufficient leverage to contain other countries' subsidized export credits.

### Sectoral Analysis Functions

Labor and other departments carry out valuable sectoral analyses, in addition to those performed in DOC/ITA. All these capabilities need to be better coordinated and focused for policy makers. We suggest the following final sentence in this section (page 16): "Labor, Agriculture, and other sectoral analytic capabilities should also be coordinated in the TPC framework

### Causes of Diminished U.S. Competitiveness

The listed U.S. competitive disadvantages (page 2, middle of page) are in part inaccurate. Higher labor costs and inefficient facilities, per se, have no competitive impact in a world of floating exchange rates; lagging productivity growth, declining rates of R&D and innovation, and falling investment rates in productive facilities, however, would represent real factors in declining U.S. competitiveness.



DEPARTMENT OF AGRICULTURE  
OFFICE OF THE SECRETARY  
WASHINGTON, D.C. 20250

22 JUN 1979

MEMORANDUM FOR HARRISON WELLFORD

FROM: Bob Bergland  
SUBJECT: Trade Reorganization

A large, stylized handwritten signature in black ink, appearing to read "Bob Bergland", written over the "FROM" and "SUBJECT" lines.

My staff and I have reviewed the June 20th and 21st memoranda on trade reorganization from Jim McIntyre-Bob Strauss and Cyrus Vance-W. Michael Blumenthal, respectively. It is our view that the best interests of this Nation will be served by the reorganization proposed by Messers McIntyre and Strauss, and we subscribe to the arguments they present in its behalf.

Our choices on the individual units and functions, spelled out in the Appendix to their memorandum, are as follows:

1. Export-Import Bank: Secretary of TAC to chair Eximbank Board.
2. State's Commercial Officers: Move all of the commercial officers to TAC. (We believe that dual management is the worst possible choice.)
3. Post-MTN Monitoring and Implementation: We agree with the proposed arrangements.
4. Antidumping and CVD Cases: We agree with the proposed transfer. Although State-Treasury have a valid point in recognizing the danger of concentrating the so-called "protectionist siege", we believe other changes suggested in the reorganization would reduce this danger.
5. Unfair Import Practice Cases: Transfer
6. Negotiation of Commodity Agreements: Transfer to STR; coordinate through negotiation coordinating committee. (We disagree strongly with the State-Treasury contention that commodity policy and negotiations are the political heart of the North-South dialogue. Moreover, the high political

content of these negotiations in the past may be one reason why they have accomplished so little.

7. Import Relief: Include under TPC.
8. International Investment Policy: Include under TPC.
9. Energy Trade: Include under TPC.
10. East-West Trade: Include under TPC; abolish Foreign Trade Board.
11. Sectoral Analysis Functions: We agree that the revitalization of Commerce's sectoral analysis capability is long overdue.
12. Coordination of Export Credit Policy: Transfer to STR/TPC.

Finally, if we were forced to choose between the two options offered by State-Treasury, we would choose option 1.



DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

DEPUTY ASSISTANT SECRETARY

June 22, 1979

MEMORANDUM FOR RICK HUTCHESON  
STAFF SECRETARY

FROM: Gary C. Hufbauer *C.H.*

SUBJECT: Trade Reorganization

We would appreciate your inserting the attached page 4A in the memorandum to the President on Trade Reorganization signed by Secretaries Blumenthal and Vance.

It contains no substantive changes, only clarification of points already made. It was inadvertently omitted in the rush.

cc: Harrison Wellford  
Bob Ginsburg  
Steve Kohlhagen  
Jules Katz  
Bill Barraclough

MEMORANDUM

THE WHITE HOUSE  
WASHINGTON

*Resubmit  
when I  
return -*

22 June 1979

TO: THE PRESIDENT  
FROM: RICK HUTCHESON *R.H.*  
SUBJECT: Trade Reorganization

*J*

Attached are several memos dealing with trade reorganization.

- McIntyre-Strauss memo (received yesterday morning)
- Strauss memo (just received) following up on his conversation with you yesterday
- Vance-Blumenthal memo (received yesterday afternoon)
- staff and agency comments (Agencies and White House staff have had about 24 hours in which to comment on the two principal memos. Comments from Eizenstat and Brzezinski have not yet been received; I'll bring them up as soon as I get them.)

In addition to being late, I do not think this package is organized adequately for presentation to you. Unless you have already made up your mind about these issues, I suggest that you return the entire package to OMB and ask for one decision memo in which all views and options are summarized.

**Electrostatic Copy Made  
for Preservation Purposes**