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RUSSELL B. LONG, *Chairman*

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PREFACE

On July 3, 1973 the Chairman of the Finance Committee requested several background documents for Committee use in its consideration of the Trade Reform Act. In his request, the Chairman asked Secretary Shultz for a document describing the responsibilities of each of the 57 or so Executive agencies in the foreign economic policy area and how these responsibilities are currently coordinated through interagency committees and by the Council on International Economic Policy.

A response to this request came in a letter dated January 30, 1974 from Secretary Shultz which contained, as one of the background documents, the information in this report.

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INTERNATIONAL ECONOMIC POLICY FORMATION AND THE CIEP

Introduction

The fundamental economic policy decisions of the U.S. Government—domestic as well as international—are made by the President, advised by his Cabinet-level Council on Economic Policy (CEP). For policy formation in the *international* field, the CEP, in turn, relies upon another and more specialized Cabinet-level group, the Council on *International* Economic Policy (CIEP). The President has named Secretary of the Treasury George Shultz as Chairman of both CEP and CIEP, in recognition of the close links between domestic and international economic activity.

On international economic matters, the President and the CEP are served by the CIEP staff under its Executive Director, the Assistant to the President for International Economic Affairs, Peter M. Flanigan. CIEP's functions in coordinating the activities of the many Executive Branch departments and agencies with international economic responsibilities are outlined below, together with the other key inter-agency mechanisms. An Appendix provides more detailed descriptions of the roles which individual departments, agencies and other specialized offices play in our economic relations abroad.

Council on International Economic Policy

In late 1970, to improve the coordination of Government agencies with responsibilities in the field of foreign economic affairs, the Advisory Council on Executive Organization recommended the creation of a Council on International Economic Policy (CIEP) as a part of the Executive Office of the President. The President accepted this recommendation and established the CIEP by memorandum dated January 19, 1971. The Congress first authorized the CIEP in *Public Law, 92-412 of August 29, 1972*, and granted further authorization in *Public Law 93-121 of October 4, 1973*. In authorizing the CIEP, the Congress recognized that the formulation and execution of U.S. international economic policy is a composite of the actions of numerous departments and agencies.

The Council and its staff are designed to achieve a clear, top-level focus on the broad range of international economic issues. CIEP seeks to ensure that all factors affecting international economic policy are fully considered and that policy decisions are based on realistic assessments of U.S. foreign economic interests.

The Council itself is currently chaired by the Secretary of the Treasury and is composed of key Cabinet-level and Executive Office officials:

Chairman, George P. Shultz.

Member, Dr. Henry A. Kissinger, The Secretary of State.

Member, James R. Schlesinger, The Secretary of Defense.

Member, Earl L. Butz, The Secretary of Agriculture.

Member, Frederick B. Dent, The Secretary of Commerce.

Member, Peter J. Brennan, The Secretary of Labor.

Member, Claude S. Brinegar, The Secretary of Transportation.

Member, Roy L. Ash, The Director of the Office of Management and Budget.

Member, Herbert Stein, The Chairman of the Council of Economic Advisers.

Member, William D. Eberle, The Special Representative for Trade Negotiations.

Member, Peter M. Flanigan, Executive Director, CIEP.

The Council is served by a small staff under the management of its Executive Director. The staff does not itself undertake major research projects. Rather, it is used by the Council and its Executive Director—as well as by the CEP—to coordinate the efforts of individual agencies and to synthesize the sometimes divergent policy recommendations forwarded by them.

While full Council meetings are held when necessary and appropriate, most of the Council's work is necessarily conducted by subcommittees. The subcommittees of the CIEP are: the Executive Committee, chaired by the Secretary of the Treasury Shultz; the Senior Review Group, chaired by the Executive Director; and the Operations Group, chaired by the Under Secretary of State for Economic Affairs. Attendance at meetings of these subcommittees is determined by the topics to be considered. In addition, the CIEP uses *ad hoc* inter-agency groups to handle specific problems and issues.

Foreign economic policy subjects dealt with by CIEP machinery have been many and diverse, ranging from trade relations with Canada, the People's Republic of China, the USSR, and the European Community, to matters such as meat import quotas, tariff rate actions on various items of interest to domestic producers, informal agreements on items such as textiles and specialty steels, and numerous other topics of importance to specific producer or consumer interests.

As an example of how the Council functions, one can cite monetary and trade negotiations. The Departments of Treasury, State, Commerce, and the Special Representative for Trade Negotiations all have particular areas of jurisdiction (see Appendix A), but none has complete coordination responsibility over the full range of monetary and trade matters. These issues are very closely intertwined and policy decisions with respect to one inevitably impact on the other. The Council provides a structured organizational mechanism by which the President can be provided an objective and comprehensive view of a problem, and can obtain the advice of the Council members in developing a strategy to deal with it. The CIEP structure also provides greater assurance that important interrelationships among different

economic—and noneconomic—policy problems will be taken into account.

Finally, the CIEP staff prepares the International Economic Report of the President, which is presented annually to the Congress.

The Relationship Between the Council on International Economic Policy and the National Security Council

In his memorandum of January 19, 1971, establishing the Council on International Economic Policy, the President defined its relationship with the NSC in these terms: "One purpose of CIEP is to consider the international economic aspects of essentially foreign policy issues, such as foreign aid and defense, under the general policy guidance of the National Security Council.

"Where the Council's responsibility overlaps with that of the National Security Council, as in the case of foreign aid, which has implications for both national security and economic policy, the Council on International Economic Policy will operate within the general framework of national security policy developed by the NSC." In order to ensure close coordination where national security interests are involved, CIEP meetings considering such issues are attended by a representative of the NSC.

Economic "Troika" and "Quadriad"

Since the early 1960's the practice has been to have the Secretary of the Treasury, the Chairman of the Council of Economic Advisers, and the Director of the Bureau of the Budget (now the Office of Management and Budget) meet together and confer with the President on broad economic issues, domestic and foreign. This group became known as the "Troika." The Executive Director of the Council on International Economic Policy customarily attends all "Troika" meetings. From time to time the Chairman of the Board of Governors of the Federal Reserve System was invited to participate; the larger group is known as the "Quadriad."

The National Advisory Council on International Monetary and Financial Policies (NAC)

This Council was originally established by the Bretton Woods Agreement Act of 1946. It is presently organized under Executive Order No. 11269 of February 14, 1966. Membership includes the Secretary of the Treasury (Chairman), Secretary of State, Secretary of Commerce, the Chairman of the Board of Governors of the Federal Reserve System, and the President of the Export-Import Bank. The Council on International Economic Policy participates in all NAC meetings. The NAC coordinates the policies and operations of the U.S. representatives to the several international financial institutions in which the U.S. has membership. These include the World Bank and the various regional international development banks. The NAC also coordinates policy of U.S. agencies, such as the Export-Import Bank, in the making of foreign loans, foreign financial exchanges, or mone-

tary transactions. The NAC functions through an Alternates Committee and a NAC Staff Committee.

The "Volcker" Group

Another important, but informal, interagency coordinating mechanism is the "Volcker" Group, named after its Chairman, the Under Secretary of the Treasury for Monetary Affairs, Paul A. Volcker. The Council on International Economic Policy is a member of this group, along with representatives from the Department of State, the Council on Economic Policy, the Council of Economic Advisers, and the Board of Governors of the Federal Reserve System. This Group provides a forum for discussion and coordination of U.S. policy and negotiation strategies on the reform of the international monetary system, gold policy, Special Drawing Rights at the International Monetary Fund, and related monetary matters.

Interagency Trade Organization

The President's Special Representative for Trade Negotiations (STR) has the responsibility for conducting negotiations with our trading partners, under policy guidelines established by the CIEP system described above. In addition, he carries out certain inter-agency functions under the Trade Expansion Act of 1962, including the Chairmanship of the Trade Expansion Act Advisory Committee (TEAC), which is composed of the Secretaries of State, the Treasury, Defense, Interior, Agriculture, Commerce, and Labor. The STR recommends to the President basic policies arising from the administration of the trade agreements program. (See Executive Order No. 11075 of January 15, 1963, as amended.) Finally, the Special Representative has established (1) the Trade Executive Committee (TEC), chaired by his Deputy and composed of Assistant Secretaries of the departments represented in the TEAC, to plan and coordinate inter-agency activities in the trade agreements program. (2) the Trade Staff Committee (TSC), with staff members of these departments, to provide staff support for the TEC. and (3) the Trade Information Committee (TIC), composed of officials of those departments, to obtain information, by holding public hearings or otherwise, from interested parties regarding trade agreements.

Appendix

A. AGENCIES AND DEPARTMENTS WHICH HAVE RESPONSIBILITIES FOR FOREIGN ECONOMIC POLICY

This Appendix describes the 24 separate agencies having significant responsibilities in international economic affairs—six in the Executive Office of the President, eight executive departments, and ten other agencies. Some of these, in turn, comprehend several separate units with responsibilities for different aspects of foreign economic policy. For example, eight units inside the State Department and three inside the Commerce Department are referred to. Any enumeration of for-

foreign economic policy agencies reaching the magnitude of 50 to 60 would have to count such subordinate units.

Agencies in the Executive Office of the President

The Council on International Economic Policy. Provides a top-level focus for the international economic policy issues arising within the Federal Government. Coordinates foreign economic policies with domestic issues and coordinates them with basic foreign policy objectives. Reports to Congress each year on international economic developments and policies through the International Economic Report of the President. (See above, pp. 1-5)

Office of the Special Representative for Trade Negotiations. Member of the Council on International Economic Policy. Supervises and coordinates the trade agreements program and directs U.S. participation in trade negotiations with other countries. All economic policies related to trade are reviewed and recommendations made to the President.

Council of Economic Advisers. Member of the Council on International Economic Policy. Analyzes the U.S. economy and appraises the economic policies of the Federal Government. It recommends policies for economic growth and stability and assists in preparing the President's economic reports to the Congress. Foreign economic programs and policies are reviewed in relation to the national economy, and a section of the annual economic report to Congress traditionally deals with foreign economic policies and their effects.

The Office of Management and Budget. Member of the Council on Economic Policy. Assists the President in developing the program and budget of the Federal Government and in bringing about more efficient conduct of Government service. The costs of foreign economic policy proposals are analyzed and recommendations made on the plans for implementation.

National Security Council. Advises the President with respect to the integration of domestic, foreign, and military policies relating to national security. Foreign economic policies often are related to national security, and the NSC recommendations to the President often comprehend economic considerations and are therefore coordinated closely with CIEP.

Executive Departments

Department of State. Member of the Council on International Economic Policy. Has continuing responsibilities for assisting the President in developing U.S. foreign policy and carrying it out abroad. In the foreign economic policy area, certain elements may be particularly noted. One is the office of the Under Secretary for Economic Affairs, the top-level foreign economic position in the Department. The Under Secretary chairs the Operations Group established by the President under the Council on International Economic Policy. The Bureau of Economic and Business Affairs has overall responsibility for formulating and implementing policy regarding foreign economic and business matters of an interregional nature and coordinating regional economic and business policy with other bureaus and agencies. Each of

the five regional Bureaus of African Affairs, European Affairs, East Asian and Pacific Affairs, Inter-American Affairs, and Near Eastern and South Asian Affairs has a regional economic policy staff or office dealing with the foreign economic policies of the region and country directors insofar as the separate countries are concerned. The Coordinator for Multilateral Development Programs under the Assistant Secretary for International Organization Affairs is concerned with U.S. policy in the several economic and social organs of the United Nations system and other international organizations of which the U.S. is a member.

Department of the Treasury. Member of the Council on International Economic Policy. Has a number of key responsibilities relating to foreign economic policy. In this regard, the Under Secretary for Monetary Affairs plays a most significant role concerned with international monetary policy, the U.S. balance of payments programs, and U.S. gold and silver policy. The Office of the Assistant Secretary for International Affairs provides a supporting role in the formulation and execution of a variety of international financial, economic, and monetary policies and programs. The Office of the Assistant Secretary for Enforcement, Tariff and Trade Affairs, and Operations is specifically responsible for determining the existence of sales of foreign goods in the U.S. at less than fair market value and instituting procedures for the assessment of dumping or countervailing duties.

Department of Commerce. Member of the Council on International Economic Policy. Conducts a number of programs aimed at strengthening the international economic position of the United States. Major activities are carried out under the Assistant Secretary for Domestic and International Business. The Bureau of International Commerce is the center for export promotion programs, including the collection and dissemination of information to U.S. firms regarding business conditions and opportunities abroad. The Office of Foreign Direct Investments administers the mandatory system to restrict the dollar outflow for direct investments abroad. The National Maritime Fisheries Service in the National Oceanic and Atmospheric Administration analyzes commercial fisheries operations and seeks means of bringing more aquatic resources into economic production consistent with sound conservation principles.

Department of Agriculture. Member of the Council on International Economic Policy. Has an Assistant Secretary for International Affairs and Commodity Programs under whom the Department's international programs are centered. The Foreign Agricultural Service is an export promotion and service agency for U.S. agriculture which operates a worldwide reporting and analysis network covering world agricultural problems. The Export Marketing Service conducts a variety of programs to promote and assist in the expansion of export sales of U.S.-produced farm products. The International Organizations Staff coordinates the Department's participation in international organizations and conferences, such as the Food and Agricultural Organization.

Department of Labor. Member of the Council on International Economic Policy. Has a Deputy Under Secretary for International Affairs. He serves as U.S. Government member of the Governing Body of the International Labor Organization. The Bureau of International

Labor Affairs is under him, and he is also responsible for developing guidance for the Labor Department's trade adjustment assistance programs.

Department of Transportation. Member of the Council on International Economic Policy. Has an Assistant Secretary for Policy and International Affairs who is responsible for the analysis, development, and articulation of policies and programs for domestic and international transportation, including technical assistance on transportation to developing countries.

Department of the Interior.—Member of the Council on International Economic Policy. Serves, through its Office of Oil and Gas, as a major focal point for leadership and information on petroleum matters in the Federal Government and the principal channel of communications between the Government, the petroleum industry, the oil-producing States, and the public. Its services relate to physical and economic factors affecting the petroleum and gas industries, both in the U.S. and abroad.

Department of Defense. Has considerable impact on foreign economic policies of the U.S. because of its large and worldwide operations. An example is the effect of American military presence abroad upon the economies of host governments. The purchasing practices of the Defense Department also impact significantly on Buy-America programs and other government procurement policies of the U.S. The Secretary is a member of the Council on International Economic Policy.

Department of Justice. The Department of Justice participates in the meetings of the Trade Staff Committee when matters pertaining to domestic law—including import restrictions on certain products—are to be discussed. The Department also advises on the legality of proclamations issued—and other actions taken—by the President on foreign trade matters.

Other Agencies

Agency for International Development. Carries out overseas development, humanitarian, and security assistance programs designed to help developing countries meet their economic and social needs. Foreign economic policies are of deep concern to the success of AID's assistance efforts.

Atomic Energy Commission. Recommends policies for development, use, and control of atomic energy to promote general welfare, common defense and security, and world peace. Atomic energy is already a major factor, in planning economic policies, and these policies must reflect the international needs for energy and for control of the atomic energy sources.

Board of Governors of the Federal Reserve System. Determines general monetary, credit, and operating policies for supervising credit conditions and the banking system of the U.S. Foreign economic policies relating to loans, monetary systems, and currencies impact directly on the Board's responsibilities. (Not an agency of the Executive Branch)

Central Intelligence Agency. Coordinates the foreign intelligence activities of U.S. agencies in the interest of national security. Evaluations of this intelligence is important to foreign economic policies.

Civil Aeronautics Board. Promotes and regulates the civil air transport industry within the United States and between the U.S. and foreign countries. It has a major role in developing economic policies related to international air transport.

The Cost of Living Council. Recommends to the President policies, mechanisms, and procedures to achieve and maintain the stability of prices and costs in the economy. Foreign economic policies are a part of the broad anti-inflation objectives which are established by the Council.

Export-Import Bank of the United States. Aids in financing exports and imports of the U.S. Policies relating to foreign trade and finance are of major concern.

Federal Maritime Commission. Regulates waterborne shipping in the foreign and domestic offshore commerce of the U.S. Foreign economic policies concerning transport and shipping are recommended and reviewed by the Commission.

Overseas Private Investment Corporation. Provides incentives to U.S. private investors to encourage investments overseas by reducing risks and providing financing. OPIC will have recommendations on overseas financial policies and risk insurance.

U.S. Tariff Commission. Advises and determines facts relating to tariffs, commercial policy, and foreign trade. It is involved in foreign economic and trade policies both in determining factors for setting tariffs or providing adjustment assistance and in special policy studies for both the Congress and the executive branch.

Federal Trade Commission. Under Section 5 of the Federal Trade Commission Act, the FTC has authority to proceed against restrictive business practices in international trade insofar as they affect the domestic or foreign commerce of the United States. Under the terms of S. 1774, FTC would be given additional remedies to deal with anti-competitive practices in the import trade. FTC also administers the Export Trade Act of 1918, which permits a limited exemption from anti-trust laws for export cartels (Webb-Pomerene exemption).

B. MISCELLANEOUS INTERAGENCY COORDINATING MECHANISMS

In addition, there is a miscellany of interagency mechanisms for coordinating specialized aspects of U.S. foreign economic policy, including:

The Adjustment Assistance Advisory Board, with membership composed of the Secretaries of Commerce (Chairman): Treasury; Agriculture; Labor; Interior; Health, Education, and Welfare; and the Administrator of the Small Business Administration, advises the President and agencies on the development of coordinated programs for adjustment assistance, giving full consideration to ways of preserving and restoring the employment relationship of firms and workers where possible.

The Committee for Implementation of Textile Agreements, composed of representatives of the Departments of Commerce (Chairman), State, Treasury, Commerce, and Labor, supervises the implementation of all textile trade agreements and takes appropriate actions concerning textiles and textile products under Section 204 of the Agricultural

Act of 1956 and Articles 3 and 6 of the Long-Term Agreement Regarding International Trade in Cotton Textiles.

The Development Loan Committee, chaired by the Administrator of the Agency for International Development and composed of the Assistant Secretary of State for Economic and Business Affairs, President of the Export-Import Bank, Assistant Secretary of the Treasury for International Affairs, Assistant Secretary of Commerce for Domestic and International Business, and Assistant Administrator of AID for Program and Policy Coordination, establishes standards and criteria for AID's lending operations.

The Economic Defense Advisory Committee, in accordance with the National Defense Assistance Control Act, gives complete and full consideration to agency views on which items should be embargoed in trade with Communist countries. It consists of officials of the Departments of State, Commerce, Treasury, and Defense, and the Central Intelligence Agency, the National Aeronautics and Space Agency, and the Atomic Energy Commission.

The Export Administration Review Board is composed of the Secretary of Commerce (Chairman), the Secretary of State, and the Secretary of Defense. It makes recommendations to the Secretary of Commerce on particular export license matters, giving due consideration to the foreign policy of the U.S., the national security, and the domestic economy.

The Export Expansion Advisory Committee guides the Export-Import Bank on allocations for export expansion and makes recommendations on proposals for loans, guarantees, and insurances charged to such allocations. The Commerce Department chairs the committee, and other members are representatives of the Departments of Treasury and State and the Export-Import Bank.

The Foreign Trade Zones Board was created by law to grant to qualified public or private corporations the privilege of establishing and operating foreign-trade zones in U.S. port of entry to expedite and encourage foreign commerce, each zone to be operated as a public utility.

The Interagency Staff Committee on Public Law 480 consists of the specialized staff of the Departments of Agriculture, State, Treasury, Commerce, and Defense, and the Agency for International Development and the Office of Management and Budget; it reviews proposed international agreements and transactions under Public Law 480, the Agricultural Trade Development and Assistance Act, to assure coordination of all aspects of U.S. Government interests and policy.

The Interagency Trade Fairs Committee recommends what international trade fairs the U.S. Government will engage in and the magnitude and control of participation in each fair; it is composed of officials of the Department of Commerce (Chairman), the Department of State, and the U.S. Information Agency.

The United Nations Economic Committee (UNEC) prepares and recommends U.S. positions on economic and social agenda items before the United Nations and affiliated agencies. It is chaired by the State Department and includes representatives of agencies with interests in agenda items.