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THE WHITE HOUSE  
WASHINGTON  
12 Jul 79

Stu Eizenstat

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

Rick Hutcheson

2945

THE WHITE HOUSE  
WASHINGTON

7/10/79

Mr. President:

OMB, OSTP and Lipshutz  
concur.

NSC has no comment.

Rick

FOR ACTION  
FYI

	FOR STAFFING
	FOR INFORMATION
<input checked="" type="checkbox"/>	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

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

THE WHITE HOUSE

WASHINGTON

June 30, 1979

Q  
/

MEMORANDUM FOR THE PRESIDENT

FROM:

STU EIZENSTAT *Stu*

SUBJECT:

Compensation for Civilians Exposed to  
Radiation from Nuclear Weapons Testing

Last May, at your direction, the Interagency Task Force on the Health Effects of Ionizing Radiation was established to study various aspects of the radiation issue. HEW has had lead agency responsibility. Other participants have included DOD, DOE, and VA. The Task Force has now submitted its final report to the participating agencies, who will in turn submit recommendations to the White House.

The section of the Task Force report dealing with care and benefits proposes improvements in existing compensation programs for veterans and radiation workers. Unfortunately, it devotes little attention to the problems of civilians living downwind from nuclear weapons test sites. The only method of compensation available to these civilians today is through suits filed under the Federal Tort Claims Act. Tort law remedies are discussed briefly in the Task Force report and their limitations noted. However, no specific recommendations are made for the facilitation of compensation under the Federal Tort Claims Act or the development of alternative methods of providing compensation to civilians who may have radiation-related illnesses. This reflects the absence of agreement on this issue among Task Force members.

As you know, there is growing concern among the residents of Utah and Nevada about the appearance of illnesses (especially leukemia and other forms of cancer) which may be related to earlier nuclear weapons tests. Governor Scott Mathieson has personally discussed this matter with you. Congressman

**Electrostatic Copy Made  
for Preservation Purposes**

Eckhardt has held hearings on this matter in the House. A substantial number of civilian claims have been submitted to DOE. In the absence of some alternative form of compensation, many of these claimants are likely to seek a remedy through the courts.

Members of my staff and staff from the Justice Department met recently with a group of attorneys, led by Stewart Udall, who plan to file some 700 suits in the near future on behalf of downwind claimants in Utah and Nevada. The litigation of these suits is likely to be time-consuming and costly. If they prove successful, large awards for damages can be anticipated.

HEW, Justice, and we recommend that a new interagency task force on compensation for radiation-related illness be established, primarily to consider the civilian compensation issue. Such a group could review alternatives to compensation under the Federal Tort Claims Act, including negotiated settlements of lawsuits and formal government compensation programs established through legislation (like workers' compensation or veterans' benefits).

Justice should take lead agency responsibility, with other participants being DOD, DOE, HEW, Labor, VA and OMB. The task force should be asked to complete its deliberations on the issue of civilian compensation within 90 days.

Though civilian claims present the most pressing problem, it would seem logical for this new task force to also address the other needs identified in the care and benefits section of the earlier report: the development of general guidelines defining the relationship between radiation exposure and subsequent disease, the establishment of criteria for deciding radiation exposure claims under existing federal programs, and the creation of a national registry of radiation workers. Additional time could be allowed for consideration of these more general issues.

If you approve, I will circulate the attached memorandum to the appropriate agencies establishing this new task force.

✓  
\_\_\_\_\_  
  
\_\_\_\_\_

Approve Task Force on Compensation  
for Radiation-Related Illness

Disapprove

*J - on the  
presumption that  
Griffin has approved  
this procedure  
J*

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR THE ATTORNEY GENERAL  
SECRETARY OF DEFENSE  
SECRETARY OF ENERGY  
SECRETARY OF HEALTH, EDUCATION, AND WELFARE  
SECRETARY OF LABOR  
ADMINISTRATOR OF VETERANS AFFAIRS  
DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET

FROM: STUART EIZENSTAT

SUBJECT: Task Force on Compensation for  
Radiation-Related Illness

The President has requested the establishment of an interagency task force to study the compensation of persons who may have developed radiation-related illnesses as a result of exposure to nuclear weapons tests. The participation of your agency is requested in this effort. Coordination will be provided by the Attorney General.

The task force should pay particular attention to the needs of civilians residing downwind from test sites. Broader problems relating to compensation of other groups also require analysis. A number of such problems have recently been identified by the Interagency Task Force on the Health Effects of Ionizing Radiation, chaired by HEW.

Not later than October 1, 1979, the task force should submit a recommendation for resolving injury claims of civilians residing downwind from test sites. The task force should consider the relative advantages and disadvantages of litigation, negotiation, a legislatively established compensation program, or some combination thereof.

Other questions raised by the HEW Task Force and deserving of further attention include the following:

1. What guidelines may be established regarding the relationship of various illnesses to low-level radiation exposure such as that resulting from nuclear weapons testing?

2. What criteria should be used in deciding claims under existing compensation programs (e.g., workers compensation, veterans' benefits) or a new legislatively established civilian compensation program?

3. How can individual lifetime radiation exposure (particularly that of radiation workers) be most effectively monitored? Is a national registry desirable and/or feasible?

(The task force should submit recommendations on these more general issues no later than April 1, 1980.)

The Domestic Policy Staff and the Office of Science and Technology Policy are available to assist in this interagency effort and will monitor its progress.

THE WHITE HOUSE

WASHINGTON

Date: July 1, 1979

MEMORANDUM

**FOR ACTION:**

Bob Lipshutz *concur*  
Frank Moore/Les  
Zbig Brzezinski *uc*  
Jim McIntyre - *Fri will comment*  
Frank Press - *concur/attached*

**FOR INFORMATION:**

Vice President  
Jack Watson  
Anne Wexler

**FROM:** Rick Hutcheson, Staff Secretary

**SUBJECT:** Eizenstat memo re Compensation for Civilians Exposed to Radiation from Nuclear Weapons Testing

**YOUR RESPONSE MUST BE DELIVERED TO THE STAFF SECRETARY BY:**

**TIME:** 12:00 noon

**DAY:** Wednesday

**DATE:** July 4

*get Watson comment*

**ACTION REQUESTED:**

Your comments

Other:

**STAFF RESPONSE:**

I concur.

No comment.

*Please note other comments below:*

**PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.**

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)

THE WHITE HOUSE

WASHINGTON

Date: July 1, 1979

MEMORANDUM

FOR ACTION:

Bob Lipshutz  
Frank Moore/Les  
Zbig Brzezinski  
Jim McIntyre  
Frank Press

FOR INFORMATION:

Vice President  
Jack Watson  
Anne Wexler

FROM: Rick Hutcheson, Staff Secretary

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TIME: 12:00 noon

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ACTION REQUESTED:

Your comments

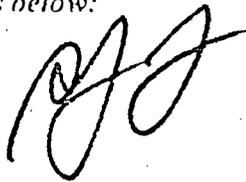
Other:

STAFF RESPONSE:

I concur.

No comment.

Please note other comments below:





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

JUL 9 1979

MEMORANDUM FOR RICK HUTCHESON

FROM: John P. White 

SUBJECT: Stu Eizenstat's Memorandum Concerning  
Compensation for Civilians Exposed to  
Radiation from Nuclear Weapons Testing

I concur in Stu's recommendation for establishment of the new task force, chaired by Justice, with the following recommendations:

- Task Force Mandate. The primary concern of this new interagency task force on compensation for radiation illness should be the government's response to civilian tort claims. The task force should not attempt to address the other issues identified which involve a wide range of compensation-related issues such as establishing occupational disease criteria and guidelines.

Any expansion of the proposed task force's charter beyond this area would be premature in that agencies have not yet submitted their responses to the HEW-led Task Force Report on Health Effects of Ionizing Radiation that did discuss the questions of benefits and care programs. The scope of the recommendations in that report will require a broad implementation strategy for which it probably will not be appropriate to rely primarily on a Justice-led task force. It is also important to note that other activities, such as the Interagency Council on Accident Compensation and Insurance, and Labor's development of presumption standards on radiation exposure claims are concerned with this area.

We thus believe that the Justice task force should focus on improving the mechanism for resolving tort claims, e.g., an Indian Claims Commission approach, rather than on criteria for disposition of claims.

When final recommendations are available on the HEW task force report we will be in a better position to design a governmentwide implementation strategy and mechanism, but the Justice task force should be established now.

- Costs. Any examination of Federal Tort Claims Act Reform should include a discussion of potential costs to the government of such activities. The charter for the proposed task force should be expanded to include cost considerations.
- Membership. We recommend that EPA be invited to join the task force.

EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF SCIENCE AND TECHNOLOGY POLICY  
WASHINGTON, D.C. 20500

3 July, 1979

TO RICK HUTCHESON

FROM FRANK PRESS/GIL OMENN GSo

RE Eizenstat memo on Compensation for Civilians  
exposed to radiation from nuclear weapons testing

OSTP supports the memo and its recommendation of a  
new task force on compensation.

In paragraph one of the memo to the President, it should  
be noted that (line 5) the participating agencies in the  
DHEW task force included also Dept of Labor, EPA, and NRC.  
Consideration should be given to inclusion of NRC  
on the new task force.

Question 3 of the Eizenstat memo to agencies will  
require extensive coordination with the research committee  
and radiation protection committee which are emerging  
from the DHEW Task Force.

ID 791637

THE WHITE HOUSE

WASHINGTON

DATE: 26 APR 79

FOR ACTION: STU EIZENSTAT ~~MEMO~~ *Tues*

FRANK MOORE (LES FRANCIS)

JACK WATSON *w/ Stu Tues*

ANNE WEXLER

ZBIG BRZEZINSKI *attached*

CHARLIE SCHULTZE *attached*

ALFRED KAHN *nc*

RICHARD PETTIGREW *attached*

INFO ONLY: THE VICE PRESIDENT

HAMILTON JORDAN

JERRY RAFSHOON

*Bob Lipschultz*

SUBJECT: MCINTYRE MEMO RE REORGANIZING THE TRADE FUNCTIONS OF  
THE GOVERNMENT -- ADMINISTRATIVELY CONFIDENTIAL

+++++

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

+ BY: 1200 PM SATURDAY 28 APR 79 +

+++++

ACTION REQUESTED: NO EXTENSIONS

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

PLEASE NOTE OTHER COMMENTS BELOW:

ID 791637

THE WHITE HOUSE

WASHINGTON

DATE: 25 APR 79

FOR ACTION: SECRETARY VANCE

SECRETARY BLUMENTHAL

SECRETARY KREPS

SECRETARY MARSHALL

SECRETARY SCHLESINGER

AMBASSADOR STRAUSS

CHAIRMAN MOORE

~~SECRETARY BROWN~~

INFO ONLY:

*Secretary Brown*  
*lnc*  
*defers to state*  
*5-3*

*Lipschutz*

SUBJECT: ADMINISTRATIVELY CONFIDENTIAL MCNTYRE MEMO RE  
REORGANIZING THE TRADE FUNCTIONS OF THE GOVERNMENT

+++++  
+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +  
+ BY: 1200 PM SATURDAY 28 APR 79 +  
+++++

ACTION REQUESTED:                     

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

PLEASE NOTE OTHER COMMENTS BELOW:

ID 791637

THE WHITE HOUSE

WASHINGTON

DATE: 26 APR 79

*Ambassador Strauss*  
FRANK MOORE (LES FRANCIS)

FOR ACTION: STU EIZENSTAT

JACK WATSON

ANNE WEXLER

ZBIG BRZEZINSKI

CHARLIE SCHULTZE

ALFRED KAHN

RICHARD PETTIGREW

INFO ONLY: THE VICE PRESIDENT

HAMILTON JORDAN

JERRY RAFSHOON

BOB LIPSHUTZ

SUBJECT: MCINTYRE MEMO RE REORGANIZING THE TRADE FUNCTIONS OF  
THE GOVERNMENT -- ADMINISTRATIVELY CONFIDENTIAL

+++++

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

+ BY: 0900 AM FRIDAY 04 MAY 79 +

+++++

ACTION REQUESTED: NO EXTENSIONS

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

PLEASE NOTE OTHER COMMENTS BELOW:



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

MEMORANDUM FOR THE PRESIDENT

FROM: Jim McIntyre

SUBJECT: Reorganizing the Trade Functions of the  
Government

This memorandum requests your guidance on what should be the Administration's position on trade reorganization. We have promised Chairman Ribicoff and others such a position soon.

By way of introduction, we describe our current trade organization, the growing demands for change, and the limited ability of organizational change to resolve chronic trade problems. Subsequently, we address the problems and organizational options for three principal trade roles of the Federal Government: (1) trade expansion; (2) import relief; and (3) negotiation and policy direction. We then assess the Congressional and interest group politics of trade reorganization and finally provide the following organizational options for your decision:

- process improvements without major structural change;
- a trade agency focusing upon trade negotiation and import relief; and
- consolidating in the Commerce Department some combination of various trade functions (export promotion, import relief, and negotiation). (The option of creating an entirely new trade department, as proposed by Senators Robert Byrd, Ribicoff and Roth, is not presented in this memo because no advisor or agency supports it.)

Possible improvements in overall trade coordination mechanisms are also presented.

## I. Introduction

### A. Current Trade Organization

Today, major U.S. trade functions are located in eight departments and agencies (see Exhibit I). Although the Special Trade Representative (STR) takes the lead role in administering the trade agreements program, many issues are handled elsewhere and no agency or person exercises across-the-board leadership in trade. Aside from STR and the Export-Import Bank (Eximbank), trade is not the primary or principal concern of any agency where trade functions are located.

Trade policies are coordinated by a network of special purpose committees with varying memberships. Additionally, ad hoc bodies and mechanisms abound to address particular trade issues.

### B. Growing Demands for Change

In the past, our trade functions have worked reasonably well in their existing locations. But recent events have focused more attention on the vitality of our trade position and on the way our trade machinery is organized.

Since 1970, our deteriorating trade position has weakened the dollar and we have become increasingly dependent on foreign raw materials (particularly oil). These events have made trade a more important public issue.

The Multilateral Trade Negotiations (MTN) debate has heightened interest in, and dissatisfaction with, our current trade organization. Some legislative leaders are demanding that we get our trade machinery in better working order as a condition for MTN passage. Senators Ribicoff and Roth have introduced a bill (S.377) to create a Department of International Trade and Investment based on the trade and investment functions of Commerce, State, and Treasury and including STR, the Overseas Private Investment Corporation (OPIC), Eximbank, and parts of the International Trade Commission. Majority Leader Byrd has introduced a similar, broader bill (S.891) that includes the trade functions of Agriculture and Energy along with STR, part of Eximbank, and the trade functions of Commerce, State, and Treasury. The Senate Finance Committee recently expressed interest in reorganizing and centralizing trade functions and asked that the Administration respond to reorganization proposals in connection with the MTN implementing bill.

(Exhibit II depicts the Roth-Ribicoff and Byrd proposals.)

While there has been high interest in and advocacy of trade consolidation in the Senate, some Senators will passionately resist the movement of certain units. Most important House leaders have not shown a strong interest. In the business community, opinion is split. While the NAM and the Chamber of Commerce support radical organizational surgery, the Business Round Table favors a less ambitious effort.

### C. Limitations of Organizational Change

Although the United States is the only major industrialized nation without a Cabinet department focused on international trade, our organizational structure is not the primary cause of our trade problems. Import problems most often reflect the inability of domestic industry to meet foreign competition. U.S. competitive disadvantages include higher-cost labor, obsolete facilities, changing market demands, and legal disincentives associated with other domestic or international policies. Changing the Government's trade organization will not in itself improve the competitive position of U.S. industry.

Similarly, our trade policies are the sum of a number of individual domestic and international policies that rarely recognize trade as a prime goal. (Appendix A contains a summary of our trade policy objectives.) To this end, antitrust, minimum wage, international business practices, tax incentives, concerns for human rights or the environment, relationships with certain countries, national security, etc., often conflict with and dominate trade issues.

Further, some critics of current trade organization seek to move certain trade functions to different settings in the hope that the new setting will either give trade matters a higher priority or give the critics' concerns a more sympathetic hearing. For example, those who believe Treasury to be dominated by "free traders" seek the transfer of Treasury's import relief functions to Commerce or a new department where they expect a more sympathetic view concerning protection of domestic industry. And those dissatisfied with the low priority accorded trade concerns in foreign policy or domestic affairs generally seek a single-purpose advocate within the Executive branch to increase its importance. Finally, trade reorganization is unlikely to result in any reduction of Federal Government expenditure or employment.

In summary, trade reorganization will not resolve most of the fundamental trade problems this country faces because they are rooted in other policies or in the long-term trends affecting the competitiveness of industry. On the other hand, reorganization may well ameliorate some of the marginal problems. Finally, given the new MTN agreement, it is important now to signal the Government's concerns for and commitment to an effective trade position in the post-MTN world.

## II. Export Promotion

This nation's first trade deficit in this century occurred in 1971. In addition to the problem of oil imports, continuing trade deficits have heightened public and Congressional concern about export performance of domestic industry. Therefore, strengthening our export promotion programs is a substantively logical and perhaps politically imperative step. MTN provides an attractive vehicle for change.

In addition to tax incentives, U.S. export promotion activities take two forms: (1) trade financing and (2) market assistance and information. (See Exhibit I-a.)

### A. Trade Financing

Our principal trade financing programs are:

- Export-Import Bank of the United States
- Commodity Credit Corporation (Agriculture)

The Commodity Credit Corporation provides domestic as well as international financing. There is no substantive or political support for transferring it out of Agriculture. The Eximbank provides direct loans, guarantees and insurance to finance exports (\$10 billion in 1980). In this role it functions like other financial institutions. It also operates a market information program that introduces banks and new exporters to the mechanics of export financing.

Currently, Eximbank receives policy advice on its transactions through the National Advisory Council (NAC) composed of representatives of Treasury, Commerce, State, Eximbank, and the Federal Reserve Board. 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 (e.g., past jet aircraft sales). Eximbank has a full-time board of Presidentially appointed directors from the private sector.

#### Eximbank Organizational Options

1. Move Eximbank into Commerce\* and give the Secretary of Commerce policy control.

---

\* If Eximbank is moved, the Office of Trade Finance (Treasury) that provides Eximbank policy analysis would be moved as well.

Pros

- Would strengthen the Government's ability to promote exports by increasing coordination and consistency between its promotion and financing arms. For example, financing could be targeted to exporters facing tough foreign competition and having more acute financing needs.
- Would signal a strong commitment to increasing exports and thus help enactment of the MTN.
- Could result in minor administrative economies.
- Would reduce the number of separate agencies providing export assistance with which businesses must deal.
- Would conform to recommendations of most Congressional and business (e.g., NAM) proposals on trade reorganization.

Cons

- Would diminish the advantages of an "anonymous buffer" provided by an independent bank (e.g., the State Department cannot now be accused of being unfaithful to a particular country if a loan application is denied). If Eximbank becomes part of the Executive branch, this flexibility would be lost.
- Elimination of the private sector board may concern some business and Congressional people.
- Could imperil the objectivity of Eximbank's credit decisions if promotional considerations become paramount.

2. Change the Eximbank Board from an independent Chairman and four individuals selected from the private sector to an independent Chairman and six individuals -- three from the private sector and one each from Commerce, Treasury and State; alternatively, retain the four private directors and replace the Eximbank President with the Secretary of Commerce as Chair of the Board (the President would continue as Chief Executive Officer).

Pros

- Would increase Executive branch policy guidance without moving Eximbank.
- Would move in the direction favored by many Congressional and business recommendations.

Cons

- Could compromise decisionmaking independence of the Board.
- Could result in a diminution of private sector expertise and perspective.

B. Marketing Assistance and Information

There are three major marketing assistance and information programs:

- Commercial representation abroad through State's commercial attaches;
- USDA's Foreign Agricultural Service;
- Commerce's Industry and Trade Administration (ITA) that provides market information on export opportunities and technical assistance on exporting.

In addition, there are new export promotion and monitoring requirements associated with the MTN.

Commercial Representation

U.S. commercial representation abroad is conducted by State Department commercial attaches. The effectiveness of these attaches has been criticized by some Members of Congress and American businesses.

The debate over the effectiveness of the commercial attaches centers upon whether the function is best staffed by Foreign Service Officers in State or whether these attaches should be employed and supervised by the Commerce Department. Critics claim that commercial representation is subordinated to other economic reporting, and attracts the least capable and ambitious officers of the Foreign Service. Further, some critics argue that the skills, training and career aspirations of diplomats are not consistent with the job requirements for commercial attaches.

Recently, though, each Embassy has been instructed to harness all of the Embassy resources--political and economic--to support American commercial interests abroad. Economic and commercial activities are handled jointly in our embassies, and separating them might destroy an integrated system.

Two principal options for strengthening commercial representation follow:

1. Move the commercial attaches from State to Commerce

Pros

- Could improve the quality of commercial representation if both domestic and overseas staffs were under the management of one agency with a single priority of expanding U.S. exports.
- Specialists from other agencies already perform similar functions and do not detract from U.S. foreign policy cohesiveness (e.g., USDA and Treasury attaches).
- Placing commercial attaches in a department with business assistance and export promotion activities as a top priority would attract people interested in these functions.
- Would be highly visible and a symbolic improvement that would be highly appreciated by Congress.
- Would be consistent with the Ribicoff and Byrd proposals.

Cons

- Many "commercial" activities are difficult to differentiate from "economic" activities. The current organization provides for flexible application of overseas personnel to accomplish responsibilities for activities that have some overlap.
  - Would make more difficult the ambassador's already difficult job of managing the U.S. mission.
  - Transferring the commercial attaches, who are Foreign Service Officers, to Commerce would create a complicated personnel situation.
  - Separation of the commercial and economic functions could give rise to duplication and overlap between the two functions, perhaps adding to the number of American officials serving abroad.
2. Improve the performance of commercial attaches, but retain them in State

To assure better State/Commerce planning for commercial functions, both departments would prepare a joint "commercial

budget and work plan" for OMB. This budget would set priorities for overseas, Commerce domestic field offices, and headquarters. In addition, State would upgrade its commercial attaches by special recruiting and training and revising their job requirements. Further, State would upgrade the priority of commercial affairs in its regional bureau headquarters by designating one senior full-time position for such concerns and increasing the assignment of commercial attaches to bureau positions. State and Commerce would develop more effective trade information and promotion centers in the 15-20 countries with the greatest export opportunities. Commerce would have a formal, equal role in selection, training, annual evaluation reports, assignments, and recommendations for promotion of commercial attaches. Finally, attaches would be directed to capitalize on the opportunities provided by the MTN.

#### Pros

- Would increase the business orientation of commercial officers without the disruption of moving attaches from State.
- Would remove the incentive for duplication of overseas representation by two agencies and permit commercial attaches also to perform economic reporting and analysis for State (in smaller missions).

#### Cons

- Similar improvements have been attempted in the past without success.
- Even with greater cooperation, State and the Foreign Service would continue to exercise personnel control over attaches -- to the detriment of commercial priorities.
- May not satisfy those on the Hill and in the business community who want to see commercial representation in a trade-oriented department.

#### USDA and Commerce Export Promotion Activities

The Foreign Agricultural Service in USDA promotes agricultural exports abroad. Given its high marks for current performance and the political difficulty associated with transferring any functions from USDA, we do not suggest any transfer.

Commerce's Industry and Trade Administration (ITA) provides both analysis of export opportunities abroad and technical assistance to American enterprises interested in export promotion. We see no better home for ITA than Commerce.

### New MTN-related Export Promotion Requirements

In addition to monitoring foreign compliance with the MTN (described in the next section), U.S. exporters may need some help to take full advantage of new export opportunities. For example, foreign government procurement will be open to U.S. bidders. This assistance can be handled by the commercial attaches (wherever they are organizationally located) and the agricultural attaches, with domestic dissemination of information conducted by Commerce. A small personnel increase may be required to conduct these new activities.

### III. Import Relief\*

Government regulation of imports and relief from the impact of imports are directed by several agencies and departments (see Exhibit I-b). Coordination is uneven; the Trade Policy Committee and other interagency committees with varying membership supervise some of these functions, while others are conducted by one agency and coordinated under ad hoc arrangements, if at all. Critics complain that this dispersion of responsibilities greatly complicates and retards efforts to obtain import relief and that it has at times resulted in inconsistent actions by different units of the Government.

We have examined this issue in the four major areas of MTN implementation, administration of antidumping and CVD mechanisms, the International Trade Commission's unfair trade practice functions, and the Trade Act's import relief provisions.

#### A. MTN Implementation

Monitoring and implementing the MTN's international codes on trade practices will impose substantial new monitoring, procedural, and enforcement requirements.

To some extent these codes will be self-executing, since each country will put the codes into effect for itself, but we must be prepared to apply the codes domestically, to monitor major implementation measures abroad, and to raise questions about foreign implementation.

The credibility of Executive branch planning for post-MTN structure and resources will be a significant factor in Congressional consideration of the MTN implementing bill.

We see three options for handling MTN implementation and monitoring as it relates to import relief:

1. Divide responsibilities among agency having jurisdiction over the varying code subject matters (e.g., U.S. government procurement to OMB, customs valuation to Treasury). In this case, there should be a coordinator (STR) to make certain that all necessary monitoring is being conducted and that agencies are exchanging and disseminating appropriate information.

\* Export controls are not discussed in detail in this memorandum. You made decisions on them last year in the context of the export promotion study, headed by Commerce, and they are now being dealt with on the Hill in the context of the Export Administration Act renewal legislation. We expect that they will remain in Commerce.

Pros

- Would make best use of existing subject matter expertise in individual agencies.
- Would involve no transfers of functions or personnel.

Cons

- Would continue trade responsibility in agencies whose primary concerns are elsewhere; disperses responsibility for MTN implementation.
- The coordinator may have difficulty assuring that agencies apply sufficient resources to their monitoring/implementation tasks.
- Private sector would have to make multiple stops to secure information and export assistance.

2. Consolidate MTN monitoring and implementation responsibilities for imports in STR

Pros

- Would assure consistent, rigorous implementation by an agency whose primary concern is trade.
- Would offer "one-step shopping" by private sector.

Cons

- Would expand the size of the Executive Office by at least 100 employees.
- Would remove monitoring and implementation from the sites of subject matter expertise.

3. Consolidate MTN responsibilities for imports in Commerce or a new trade agency, drawing on other agencies for necessary assistance

Pros

- Would assure consistent implementation in an agency for which trade is a primary concern and which has adequate supporting staff.

- MTN follow-up is in large measure an export promotion function.
- Would locate MTN functions near expertise as to the trade significance of subject matter areas.

### Con

- Would place in an agency functions that require coordination at the Executive Office level.

#### B. Antidumping and Countervailing Duty (CVD) Cases (Office of Tariff Affairs, Treasury)

Countervailing and antidumping duty cases, in which foreign producers are accused of receiving unfair subsidies or selling below fair market value, are handled by Treasury's Office of Tariff Affairs (11 people) and supported by other Treasury personnel. This is probably the most severely criticized import administration function. Other agencies, as well as private sector and Congressional voices, complain of delays and allege unexpected policy changes, lack of coordination, and, on occasion, actions inconsistent with other U.S. trade actions. A 1979 GAO report on dumping concluded that "long periods of time required to conduct investigations, and delays averaging 3 to 3 1/2 years in assessing duties after findings of dumping, make it highly improbable that U.S. industry is being adequately protected by the Antidumping Act."

Both the amended antidumping code and the new, highly significant code on subsidies and countervailing duties emerging from the MTN will require changes in administration. Satisfaction with the way the Administration will administer these laws will be a critical element in securing Congressional approval of MTN. Treasury now wishes to increase the resources devoted to CVD and dumping (presumably by reallocation within Treasury). It has also been suggested that regular interagency consultation might be in order\*.

\* The five persons working on dumping would be increased to 20, and the 20-person unit in Customs that investigates dumping would go to 120 or more. If the dumping/CVD function is moved, this small Customs investigative unit would accompany it.

We offer two options:

1. Transfer the CVD and dumping functions to Commerce or a new trade agency (and provide for interagency consultation)

Pros

- Would increase likelihood of faster, more vigorous enforcement.
- Would help satisfy Congressional pressure for trade reorganization and thereby improve chances for MTN approval on the Hill.
- Would locate import and export controls in the same organization.

Cons

- The subsidies and dumping codes and the implementing law would tend to force greater discipline in terms of timing on CVD and dumping cases regardless of where implementation is located.
  - Many critics of Treasury's performance disagree not so much with the mechanics as with Treasury's reputation for non-protectionist policies.
  - CVD and dumping should not be separated from the Customs Service, which is best placed to secure the necessary information and collect the duties assessed.
2. Retain in Treasury, but establish an interagency committee and increase resources

Pros

- Would afford other agencies a chance to comment, thus helping to ensure consistency with overall trade policy objectives.
- Would be less disruptive than transferring units.
- CVD/dumping function would remain close to Customs.
- Would continue to draw on Treasury's overall experience and management expertise.

Cons

- Unlikely to satisfy private sector and Congressional critics.
- Since CVD and dumping are in principle adjudicatory functions, interagency policy guidance may be unacceptable to those favoring more automatic application of sanctions.

C. Unfair import practice cases (Section 337) International Trade Commission

Section 337 of the Tariff Act of 1930 authorizes the International Trade Commission (ITC) to investigate unfair trade practices and to apply sanctions when it determines that such practices have occurred. (The President may disapprove such determinations for "policy reasons".) For many years, ITC considered primarily patent infringement cases under this authority. Recently it decided that its mandate is considerably broader and negotiated a consent order involving Japanese color television imports that the Administration was able to review only after it was concluded. It also made recommendations concerning stainless steel pipe imports that were ultimately rejected as redundant to antidumping activity.

In spite of ITC's close relationship with the Senate Finance Committee, the Roth-Ribicoff bill, sponsored by four members of the Committee, would transfer the Section 337 authority from the ITC to a new department. Senator Long's principal concern is not with this function, but with injury determination functions not proposed for transfer by this memo. The Commission would continue to determine whether a U.S. industry has been injured in dumping cases, a role that will also apply to CVD cases as a result of the MTN. (The Roth-Ribicoff bill would also transfer ITC's statistical and tariff nomenclature functions, handled by a staff of 15, which are administrative in nature.)

The option is to transfer the ITC's section 337 authority to Commerce or a new trade agency.

Pros

- Would bring into the Executive branch the one import relief procedure not now under its control.
- Would eliminate the possibility of the ITC using this authority to preempt other import relief measures contemplated by the Administration.

- Would be an appropriate part of a consolidation of import relief measures in one agency.

#### Cons

- The ITC's friends in the Congress, business and labor may object to any diminution of its autonomy or authority.
- Some argue that overlapping jurisdictional responsibilities may be healthy, since they give business a choice among different relief measures.

#### D. Import-related operational functions of the Office of the Special Trade Representative

Along with its trade agreement and policy coordination functions, STR is charged with negotiating agreements under the Multifiber Arrangement on textiles, administering the Generalized System of Preferences, implementing the escape clause and market disruption provisions of the Trade Act of 1974 (sections 201-203 and 406), and handling complaints of foreign unfair trade practices under section 301 of the Act. In each of these activities, STR depends heavily upon staff work provided by other agencies, principally Commerce and State. (Even if these operational functions are transferred, it will be important to retain the STR coordinating role for advice and recommendations to the President when he has the responsibility for action.)

All of STR (59 persons) would go to the new department in both the Roth-Ribicoff and Byrd bills, but this option considers transferring only its operational functions to Commerce or a new trade agency.

#### Pros

- STR's import relief authority could be consolidated with other import relief measures in one agency responsible for trade administration.
- As the overall trade policy coordinator in EOP, STR's neutrality might be easier to maintain if it is divested of its operational responsibilities.
- Post-MTN implementation requirements are more appropriately assigned to line agencies than to an EOP office.

- Commerce already provides much of the staff work for these functions.
- The function could draw upon other Commerce resources such as industry sector analysis.

#### Cons

- STR's operational activities in the past have not significantly hindered its policy coordination role.
- Many import relief cases concern agricultural products which would be inappropriate for consideration by Commerce.

#### E. Other Trade Units

If you decide to consolidate trade functions generally, the following small units should be included.

The Office of Foreign Assets Control (15 employees) in Treasury handles trade embargoes as well as foreign assets, mainly Chinese. The principal embargo concerns Cuba, a trade rather than a financial function.

Commerce co-chairs bilateral economic commissions with several Eastern European countries, while Treasury co-chairs the bilateral commissions with the U.S.S.R. and Saudi Arabia and is slated to co-chair the commission with China. In cases where our dominant economic interest is trade, co-chairmanship of the joint commissions might logically be centered in our principal trade department.

..

#### IV. Trade Policy Direction and Negotiation

Trade policy coordination and negotiation cut across the trade expansion and import relief functions discussed above. (See Exhibit I-C.)

##### A. Trade Policy Direction

At least twelve agencies and departments are involved in the formulation and execution of U.S. trade policy: STR, State, Treasury, Commerce, Agriculture, Defense, Energy, Labor, Justice, Interior, Eximbank and the Executive Office (including OMB, NSC, the Domestic Policy Staff, and CEA). Policy direction activities range from definition of general policy positions to application of policies in specific cases.

The senior interagency trade group is the Trade Policy Committee (TPC), chaired by STR and including most of the above agencies. Below the TPC are the Trade Policy Review Group (TPRG), at the assistant secretary level, and the Trade Policy Staff Committee (TPSC), a working level group. Additionally, there is an East-West Foreign Trade Board that was created to consider commercial policy issues arising in dealing with non-market economies, and an Export Administration Review Board that coordinates strategic export controls with communist countries.

In addition, the National Advisory Council on International Monetary and Financial Policies (NAC), chaired by Treasury, is responsible for U.S. policy regarding trade finance, including providing advice to Eximbank and the CCC. Interagency groups also have been established to deal with commodity issues and export promotion.

By and large, policy coordination has worked well. However, some complain that important trade policy issues are not addressed through the TPC mechanism and that policies on other issues that affect trade policy (e.g., taxes, human rights) are formulated without fully weighing the trade implications. The role of the TPC could be strengthened by including some or all of the following functions within its purview:

1. Coordinate the countervailing and antidumping duty functions through the TPC mechanism.

##### Pros

- The timing and nature of the findings affect other trade functions and negotiating positions.
- Would blunt some of the criticism that Treasury is acting unilaterally.

Cons

- As largely adjudicatory and statutorily mandated processes, many consider these issues inappropriate for the interagency process.
  - Could raise false expectations that the outcome of the processes would be different, i.e., more favorable for industry.
2. Include under the TPC the formulation of U.S. policy on and the negotiation of commodity agreements, now handled by the Office of International Commodities in State.

Pro

- Would increase consistency in overall trade policy.

Cons

- Commodity issues have significant developmental implications.
  - State already chairs an interagency task force that includes the basic TPC members.
3. Energy trade issues are resolved by Energy, although they affect other trade matters and could be coordinated by TPC. Lack of coordination between energy negotiators and trade policy interests in other agencies has caused embarrassment for the Administration in the recent past (e.g., inadequate provision for U.S. bidders on Canadian gas pipeline).

Pros

- Importance of oil imports to U.S. trade balance.
- Included in the Byrd bill.

Cons

- Inconsistent with recent DOE consolidation.
- Magnitude and special nature of energy issues call for special energy expertise.

With respect to ensuring that trade considerations are appropriately factored into deliberations for other domestic and international policies, the prospects for procedural reform

are not so simple. The Economic Policy Group has streamlined its membership from a large and unwieldy group to a smaller working group. Representatives of agencies concerned with trade are involved when appropriate. Rather than attempt to provide a permanent trade advocate seat at the table for each nontrade policy deliberation, it probably makes sense for the appropriate EOP/White House staff to include a trade perspective in policy debates as appropriate.

#### B. Trade Negotiations

Responsibilities for the negotiations of trade agreements are divided among STR (for the MTN, Orderly Marketing Agreements and free world bilateral trade agreements), State (for commodity policy and trade agreements with communist nations), and Treasury (for negotiations involved with countervailing, anti-dumping, export credits, and bilateral commissions with the Soviet Union and China). The implementation of the new MTN codes will require followup negotiations.

The present division of negotiating responsibilities may make it more difficult to have consistency in our trade relations with other governments, to fully exploit leverage among different negotiations with the same country, and to avoid having other countries play U.S. agencies against one another.

Three options for organizing our trade negotiating responsibilities merit consideration:

1. Maintaining the status quo with STR continuing its present negotiating and coordinating roles.

#### Pros

- Present system has worked reasonably well.
- Would closely associate negotiating and operational responsibilities.

#### Cons

- Would create potential for inconsistencies among negotiations.
- Would not use to full advantage the potential leverage from negotiations on one subject to another set of negotiations with the same country.

2. Consolidate lead responsibility for more trade-related negotiations in the STR. These would include commodity negotiations from State; the bilateral negotiations with the Soviet Union and China from Treasury; and negotiations with other governments on official trade financing, also from Treasury.

Pros

- Would ensure that U.S. speaks with one voice in trade negotiations.
- Would maximize potential to use one instrument against another to gain leverage in negotiations with the same country.
- Would increase consistency in overall trade negotiating positions.

Cons

- Would separate negotiations from implementation and operation.
  - Would separate authority from technical expertise.
  - Might reduce the developmental aspects of commodity policy and diminish its uses for foreign policy purposes.
3. Consolidate all trade-related negotiations in a new trade agency or in Commerce.

Pros

- Would ensure that U.S. speaks with one voice in trade negotiations.
- To the extent that operational units were transferred with negotiating responsibility, would ensure that operations are together and that appropriate technical expertise backs up negotiations.
- Would maximize potential to use one trade instrument against another to gain leverage in negotiations with the same country.
- Increases consistency in overall trade negotiating positions.

Cons

- If consolidated in an existing agency, negotiations might be overly representative of that agency's constituency.
- Would cause significant disruption in current working arrangements.
- Would separate some trade negotiations from nontrade negotiation linkages.
- Many other factors and policies must be considered and it would still be necessary to have an EOP coordinator.

V. Political Assessment

[TO BE SUPPLIED LATER]

## VI. Trade Organization Options

We offer three basic options for your consideration:

- process improvements without major structural change;
- a trade agency focusing upon trade negotiation and import relief matters; and
- a Commerce Department with expanded trade responsibilities.

In addition, we ask for your decision on the handling of several trade-related policy issues that are not now considered by the Trade Policy Committee (TPC).

You should be aware that even the most ambitious option offered in this paper (Option 3) does not go as far as the proposals for a new trade department advanced by Senators Roth and Ribicoff (in S. 377) and by Majority Leader Byrd (in S. 891). In addition to the units proposed here for consideration for inclusion in Commerce, the Roth-Ribicoff bill would include in a new Cabinet department all of STR, all trade and investment responsibilities of State and Commerce, Treasury's investment functions and all of its Customs Service, and the Overseas Private Investment Corporation. The Byrd bill would go beyond the Roth-Ribicoff bill by including the Foreign Agricultural Service and energy trade negotiations, but it excludes OPIC and most of Eximbank. (A comparison of these two proposals appears at Exhibit II.)

The three organizational options that follow do not include a new trade department, because no agency or advisor favors such a concept. The trade functions that would be moved into Commerce under Option 3 (plus those already in Commerce) most nearly approximate those that the proposals of Roth-Ribicoff and Byrd would include in a new department.

### 1. Process Improvements

Under this option, no functions would be transferred. MTN monitoring functions would be located in the agencies with subject matter expertise and would be coordinated by STR. Instead, the Administration would make the following process improvements:

- a. Add Executive branch officials to the Eximbank board (discussed at page 6)
- b. Increase the role of Commerce concerning State's commercial attaches (page 8)

- c. Have antidumping and countervailing duty policy considered in an interagency forum (page 14); and
- d. Increase the resources available for antidumping and countervailing duty cases (page 14).

#### Pros

- Would accomplish some improvement.
- Would cause minimal disruption of existing units.

#### Cons

- Would not satisfy Byrd, Ribicoff, or other interested Members of Congress, and would not assist in passing the MTN package.
- Would fall short of the admittedly marginal improvements that can be made through organizational change.

#### Decision

\_\_\_\_\_ Yes (supported by

\_\_\_\_\_ No (supported by

#### 2. A new trade agency focusing on negotiation and import relief matters

This option would, in addition to the process improvements set forth under Option 1, establish an independent trade agency (the "Board of Trade") outside the Executive Office, headed by the cabinet-rank Special Trade Representative, but not a cabinet department.

The Trade Policy Committee would be given a separate Executive Office staff of 5-10 people and would continue to be headed by the Special Trade Representative (the renamed Representative for Trade Negotiations).

This agency would include the following:

- a. All of STR's existing functions;
- b. Treasury's import relief and foreign assets control functions (including related Customs investigation functions) (pages 14 and 17).

- c. MTN monitoring and implementing functions (both import and export-related) (pages 10-11)
- d. Treasury's Office of Trade Finance (page 13 - footnote)
- e. State's Office of International Commodities (page 19)
- f. The International Trade Commission's unfair trade practice functions (Section 337) (page 15)

Pros

- Will centralize responsibility for dealing with follow-up negotiations, a critical facet of MTN implementation.
- Will be a visible, significant organizational proposal.
- Will not create a new Cabinet department.
- Probably will help relieve Congressional pressure for more drastic changes by moving Treasury's import relief functions.

Cons

- Does not address the area of export promotion.
- Would create a new Executive branch agency.
- Makes a subcabinet agency (albeit headed by a Cabinet-level official) responsible for negotiating on programs of Cabinet departments.
- The negotiation functions proposed for transfer need (and would continue to need) the substantive expertise of the agencies where they now reside.

Decision

\_\_\_\_\_ Yes (supported by

\_\_\_\_\_ No (supported by

### 3. Expanded trade responsibilities for the Commerce Department

This option has three suboptions.

- a. Add export promotion functions to Commerce; or,
- b. Add both export promotion and import relief functions to Commerce; or,
- c. Add export promotion, import relief, and negotiation functions to Commerce.

Should you favor Option 3A, we ask that you consider whether to add Option 3B to it and, should you then choose Option 3B, that you consider whether to add Option 3C.

#### 3A. Add export functions to Commerce

Under this alternative, Commerce, which already has some export promotion functions (as well as export control functions), would also take on the new export promotion functions created as a result of the MTN agreements. In addition, State's commercial attaches would be moved, or made more accountable, to Commerce and Eximbank could be moved to Commerce or made more policy-responsive by making the Secretary of Commerce the Chair of its Board of Directors (these are offered as separate decisions below).

#### Pros

- Would help MTN passage somewhat.
- Should strengthen export promotion efforts.
- Would provide a single focus for MTN export promotion functions.

#### Con

- Builds upon a department that many perceive as weak.

#### Decision

.....            Yes (supported by

.....            No (supported by

If you have selected Option 3A, do you wish to --

- Include State's commercial attaches (page 3)
  - \_\_\_\_\_ Yes (supported by
  - \_\_\_\_\_ No, but increase responsiveness to Commerce (supported by
  - \_\_\_\_\_ No change (supported by
- Move Eximbank into Commerce or make the Secretary of Commerce the Chairman of the Eximbank board (page 5)
  - \_\_\_\_\_ Move Eximbank to Commerce (supported by
  - \_\_\_\_\_ Secretary of Commerce chairs Eximbank board (supported by
  - \_\_\_\_\_ No change (supported by

3B. Add both export promotion and import relief functions to Commerce

This alternative would rename Commerce the "Department of Commerce and Trade" and would include in it both the export promotion functions discussed in Option 3A and a number of import relief functions. Although the Byrd and Roth-Ribicoff proposals would create entirely new departments, they would look much like this one. The following import relief functions would be added:

- a. Treasury's import relief functions (antidumping, countervailing duties, Customs investigative unit, and foreign assets control) (pages 13 and 17)
- b. The International Trade Commission's unfair trade practice functions (section 337) and tariff nomenclature/statistical functions (page 15)
- c. STR's import-related functions (page 16)
- d. Chairing of bilateral economic commissions (page 17)

Note that Option 3C can be added to this option.

Pros

- Would be a visible, significant step that would help secure passage of the MTN implementing legislation.
- Would strengthen the trade voice in the Executive Branch.
- Would not create a new department, but should satisfy proponents of major reorganization.
- Would strengthen our export promotion program.
- Trade functions would be closely linked to sectoral analysis capability.

Cons

- Builds upon a department that some perceive as weak and ineffective.
- May have a protectionist bias.

Decision

\_\_\_\_\_ Yes (supported by

\_\_\_\_\_ No (supported by

3C. Add export promotion, import relief, and negotiating functions to Commerce

This option, which is additive to options 3A and 3B, would add a third category of function to Commerce: negotiations relative to MTN implementation and followup, for which Commerce would have lead responsibility (page 21)

Pros

- Would increase consistency in overall trade negotiating positions.
- Would maximize potential to use one trade instrument against another to gain leverage in negotiations with the same country.

Cons

- Would significantly disrupt current working arrangements.
- Would separate some trade negotiations from foreign policy, developmental and other nontrade aspects of subject matter.

Decision

           Yes (supported by

           No (supported by

NOTE: WE SEEK YOUR DECISIONS ON ITEM 4, REGARDLESS OF YOUR CHOICE AMONG ITEMS 1, 2, and 3.

4. Policy Coordination

Neither the Roth-Ribicoff bill nor any alternative presented here would move all significant trade functions into a single location (the Byrd proposal, which would include the Foreign Agricultural Service, would come close). Accordingly, STR's function of honest broker among the various agencies involved in trade would have to remain in the Executive Office. STR would assume the policy direction role on implementation of the MTN agreements, except that if you have chosen Option 3B, it will be placed in the Department of Commerce and Trade.

The Trade Policy Committee (TPC) now considers some, but not all, significant trade areas; the issue here is whether to add the following coordinative responsibilities to the purview of the TPC:

- a. Antidumping and countervailing duty functions  
(page 18)

Decision

           Yes (supported by

           No (supported by

- b. International commodity policy (page 19)

Decision

           Yes (supported by

           No (supported by

c. Energy import policy (page 19)

Decision

                     Yes (supported by

                     No (supported by

## APPENDIX A

United States foreign trade and investment policies have multiple and sometimes conflicting objectives:

### A. To strengthen the U.S. economy through

1. More open world markets -- to provide increased opportunities for U.S. exports of goods and services and thereby to:
  - a) lower costs and improve efficiency in the export sector;
  - b) increase employment opportunities at home;
  - c) enable us to finance the import of goods we cannot produce at home or that others can produce more economically than we; and
  - d) reduce the movement of U.S. productive capacity abroad designed solely to penetrate markets with protected borders.
2. More open U.S. markets for imports to:
  - a) spur competition and efficiency at home;
  - b) lower costs of inputs to domestic producers;
  - c) increase the range and lower the prices of goods to U.S. consumers.
3. Open two-way flows of investment and technology to increase productivity, employment, and output at home and abroad;
4. Strengthen the capacity of affected firms and workers to adapt to changes in the international economic environment.

### B. To increase world and U.S. prosperity through

1. More efficient development and exchange of world economic resources.
2. Accelerated economic growth of less developed countries.

Appendix A (continued)

3. A trading system that provides open and equitable access to markets and supplies within an internationally agreed framework of rights and obligations.
- C. To strengthen ties among nations and thereby increase cooperation for peace.
  - D. To protect U.S. and its allies by collective action to deny strategic goods and technology to our potential enemies.
  - E. To pursue important foreign policy objectives, such as nuclear non-proliferation, human rights, strengthened defense capabilities in vulnerable countries, etc.

## U.S. TRADE FUNCTIONS:

Exhibit I-a

EXPORT EXPANSION

Agency	FY 1979		Functions
	Budget \$ 000	Personnel Positions	
<u>Export-Import Bank:</u>			
Program activities	10,080,000	-	Direct loans, loan guarantees, and insurance to support exports; limited market information program.
Administration expenses	13,740	423	
<u>Treasury Department:</u>			
Office of Trade Finance	145	5	Provide general policy guidance to Export-Import Bank and recommend U.S. positions for international negotiations on terms and extent of official trade financing.
<u>State Department:</u>			
Commercial attaches	21,700	905 (man/years including foreign nationals)	Trade promotion and overseas services to American business.
<u>Commerce Department:</u>			
Industry and Trade Administration	45,528	1,099	Export development, East-West trade promotion, domestic business development and field operations.
<u>Department of Agriculture:</u>			
Foreign Agricultural Service	35,785	365 (including foreign nationals)	Export promotion and service for U.S. agriculture through agricultural attaches and domestic market development activity.
<u>Commodity Credit Corporation</u>	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:

Exhibit I-b

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	434	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.

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<u>Department of Commerce:</u>			
Economic Development Administration	97,000	25	Trade Adjustment Assistance to business and communities.
<u>Department of Labor:</u>			
International Labor Affairs and Employment and Training Administration	271,122	238	Trade Adjustment Assistance to workers.

U.S. TRADE FUNCTIONS:  
POLICY DIRECTION AND NEGOTIATION

Exhibit I-c

Agency	FY 1979		Functions
	Budget \$ 000	Personnel Positions	
<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> )	-	-	Participate in the formulation of U.S. trade policy.
<u>Department of Defense</u> )			
<u>Department of Interior</u> )			
<u>Department of Justice</u> )			
<u>Department of Labor</u> )			

SUMMARY OF CONGRESSIONAL TRADE DEPARTMENT PROPOSALS  
(Functions Included)

Agency	Roth-Ribicoff (S. 377) Department of International Trade and Investment	Byrd (W.Va.) (S. 891) Department of International Trade
Agriculture Department	No change	Foreign Agricultural Service
Commerce Department	Export promotion, foreign investment, export administration, foreign trade zones, other trade activities (e.g., East-West trade).	International commercial activities of Industry and Trade Administration.
Energy Department	No change	Direct U.S. participation in multi- and bilateral trade negotiations on energy matters.
Export-Import Bank	Include all	Responsibility for minimizing competition in Government-supported export financing.
Overseas Private Investment Corporation	Include all	New Secretary would be OPIC Board Chairman; OPIC's mission would include promoting U.S. trade position.
Special Trade Representative	Include all	Include all
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.
Treasury Department	International trade and investment; Customs Service; unfair trade and investment competition.	Trade and commodity agreements, Office of Assistant Secretary for International Affairs (except monetary policy, international exchange, and bilateral and multilateral monetary institutions), dumping and countervailing duties, Customs Service.

SUMMARY OF CONGRESSIONAL TRADE DEPARTMENT PROPOSALS  
(Functions Included)

Agency	Roth-Ribicoff (S. 377)	Byrd (W.Va.) (S. 891)
International Trade Commission	Section 337 of Tariff Act of 1930 (unfair trade), tariff nomenclature and statistics.	No change
Proposed new mechanisms	None proposed	Deputy Secretary for Trade Negotiations; Director of Long-Range Policy Planning; Assistant Secretaries for agriculture, industry and commerce, energy, law enforcement and investiga- tions.

THE WHITE HOUSE  
WASHINGTON

→ Hirshkorne

May 4, 1979

MEMORANDUM FOR: JOHN WHITE  
FROM: HENRY OWEN <sup>150</sup>  
SUBJECT: Trade Organization

I am sensitive to the political factors that the President much weigh in making his decisions on trade organization. However, I am not persuaded that, in order to gain supporters for the MTN package, we must take organizational steps that would not make sensible contributions to an effective, open U.S. trade policy.

I stand by the comments on trade organization that I made in my memo to the President of April 28th (Tab A). The following are my comments on the specific options in the memo that was circulated yesterday.

Eximbank: Neither Option 1 nor Option 2 would be satisfactory means of strengthening Commerce's policy role while safeguarding the independence of Exim. I therefore support Option 3, clarified to provide for Commerce to chair NAC meetings dealing with Exim.

Commercial Officers: I support Option 2.

Post-MTN monitoring and implementation: I support placing all MTN monitoring and implementation responsibilities in Commerce.

Import Relief: With the exception of Section 337 authority, which should be moved to either a strengthened STR or an enhanced Commerce Department, I recommend no change in the functions now assigned to Treasury and STR. All import relief policies should be coordinated by the Trade Policy Committee (TPC).

Trade policy direction. Except for energy trade, which is already well coordinated through White House and inter-agency mechanisms, I support the coordination of import relief matters, commodity policy, and trade adjustment assistance by the TPC, chaired by STR. STR might be renamed to dramatize its enhanced functions.

OFFICE OF  
THE SECRETARY OF AGRICULTURE

**MAY** 4 1979

RICK HUTCHESON

Rick, our comments on the memorandum to the President concerning the Administration's position on trade reorganization are attached. Unfortunately, since we just received the memorandum last night, neither Secretary Bergland nor Under Secretary Hathaway have been able to review our comments. Dale Hathaway returns from Canada tonight and will call you tomorrow if he has additional comments on the memorandum.



Elmer K. Klumpp



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

MEMORANDUM FOR THE PRESIDENT

FROM: Jim McIntyre

SUBJECT: Reorganizing the Government's Trade Functions

This memorandum requests your guidance on what should be the Administration's position on trade reorganization. We have promised Chairman Ribicoff and others such a position soon. An EOP/agency task force has worked intensively on these matters for the past two months and a number of drafts of this memo have been circulated.

This memorandum summarizes the most promising issues we have considered. By way of introduction, we briefly describe our current trade organization, growing demands for change and the limited ability of organizational change to resolve chronic trade problems. Subsequently, we assess the congressional and interest group politics. We then address problems and present organizational recommendations for the four principal trade roles of the government:

- I. Export Promotion
- II. Import Relief
- III. Trade Policy Direction
- IV. Trade Negotiations

Although there is contention within the Administration on specific reorganization options, most of your advisors and most of the affected agencies have reached a general recommendation on trade reorganization. There is no support for a new Cabinet department or new agency. Most favor enhancing the Commerce Department's role in export promotion and giving it greater responsibilities in post-MTN monitoring and implementation. Most also favor the continuation of STR playing its negotiation and policy coordination roles in the Executive Office.

## Introduction

### Current Trade Organization

Major trade functions are located in eight departments and agencies today (Exhibit 1). Although the Special Trade Representative (STR) takes the lead role in administering the trade agreements program, many issues are handled elsewhere and no agency has across-the-board leadership in trade. Aside from STR and the Export-Import Bank (Eximbank), trade is not the primary concern of any agency where trade functions are located.

Trade policies are coordinated by a network of special purpose committees with varying memberships. Ad hoc bodies and mechanisms abound to address particular trade issues.

### Growing Demands for Change

In the past, our trade functions have worked reasonably well in their existing locations. Recent events have focused more attention on the vitality of our trade position and on the way our trade machinery is organized. These events include our deteriorating trade position, increasing dependence on foreign oil, and the weakening of the dollar.

The Multilateral Trade Negotiations (MTN) debate has heightened interest in, and dissatisfaction with, current trade organization. Some legislative leaders are demanding we get our trade machinery in better working order as a condition for MTN passage.

While there has been high interest in and advocacy of trade consolidation in the Senate, some will certainly passionately resist the movement of certain units.

Most important House leaders have not shown a strong interest. The NAM and Chamber of Commerce favor radical organizational surgery while the Business Roundtable does not have a formal position.

### Limitations of Organizational Change

Our organizational structure is not the primary cause of our trade problems. To a large extent, import problems reflect the inability of domestic industry to meet foreign competition. Our competitive disadvantages include higher-cost labor, inefficient facilities, changing market demands

and legal disincentives associated with other domestic or international policies. Restructuring trade organization will not in itself improve the competitive position of United States industry.

Our trade policies are the sum of a number of other domestic and international policies that rarely recognize trade as a prime goal. Anti-trust, minimum wage, international business practices, energy, tax incentives, concerns for human rights and the environment, national security and relationships with certain nations often conflict with and dominate trade issues. Many significant policy conflicts will continue to require Executive Office resolution, even if the most comprehensive proposals herein are put into effect.

Some critics of our current trade organization seek to move certain trade functions to different settings with the hope that the new setting may give the critics' concerns a more sympathetic hearing. Thus, those who favor protection of domestic industry and believe the Treasury to be dominated by "free traders" seek the transfer of Treasury's import relief functions to Commerce or to a new department where they expect a more sympathetic view. On the other hand, those dissatisfied with the low priority accorded trade concerns in foreign policy or domestic affairs seek a single-purpose trade advocate in the Executive Branch.

In summary, reorganization will not resolve most of the fundamental trade problems this country faces because they are rooted in the other policies or in the long term trends affecting industry competitiveness. Nor will trade reorganization result in a significant reduction in Federal employment or expenditures. Reorganization may help in the area of policy coordination and may ameliorate some of the marginal problems in terms of our trade position. And in the face of the new MTN agreement, trade reorganization may be an important signal of the Administration's concerns for and commitment to an effective trade position in the post-MTN world.

Pages 4 through 7 (Political Assessment)  
to be supplied

In the following sections we address problems and present recommendations for four major trade roles of Government:

- I. Export Promotion
- II. Import Relief
- III. Trade Policy Direction
- IV. Trade Negotiations

## I. Export Promotion

The continuing trade deficits have heightened public and congressional concern about export performance. Strengthening our export promotion programs through reorganization is a substantively logical and perhaps politically imperative step. MTN provides an attractive vehicle for change.

In addition to tax incentives, U.S. export promotion activities include trade financing and marketing assistance. These activities are carried out by the Eximbank, the Commodity Credit Corporation (in USDA), the Commercial Officers (in State), and the Foreign Agricultural Service in USDA. Additionally, the passage of MTN will provide new export opportunities for industry and new export expansion responsibilities for the Government.

The Agriculture programs are working well and our past experience has shown that transferring functions from USDA is very difficult even in the face of compelling substantive arguments. Thus, the changes discussed here are limited to the Eximbank, the Commercial Officers and the new post-MTN export expansion responsibilities.

### Eximbank Organization Options

Eximbank provides direct loans, guarantees and insurance to finance exports (\$10 billion outstanding in 1980). Eximbank has a full time board of Presidentially appointed directors. Eximbank now receives policy advice on transactions from a National Advisory Council (NAC) composed of Treasury, Commerce, State and the Federal Reserve Board. 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 available. We provide two options to strengthen Eximbank's export expansion role:

Option 1. Move Eximbank to Commerce, appoint the Secretary of Commerce as Chair, and keep the full time board of Presidential appointees. In the absence of the Secretary or Undersecretary, the Eximbank President would Chair. NAC advice would continue. The Secretary of Commerce would provide policy guidance and direction.

### Pros

- Would strengthen the Government's ability to promote exports by increasing coordination and consistency between its promotion and financing arms.

- Would signal a strong commitment to increasing exports.
- Would employ a structure that has been used successfully elsewhere (i.e., CCC in the Department of Agriculture).
- Would reduce the number of separate agencies providing export assistance.

### Cons

- Would diminish the advantages of an "anonymous buffer" provided by an independent bank (e.g., State cannot now be accused of being unfaithful to a particular country if a loan application is denied). If Eximbank becomes part of an Executive Department, this flexibility would be lost.
- Might weaken the role of the NAC in reviewing Eximbank policies.
- Could imperil the objectivity of Eximbank's credit decisions if promotional considerations became paramount.

Option 2. Secretary of Commerce Chairs board of independent Eximbank. Eximbank President serves as chief executive officer and chairs in absence of Secretary or Under Secretary. NAC advice would continue.

### Pro

- Establishes more defined channel for high level presentation of agency views and communication of Administration concerns.

### Con

- Lack of major change in present structure could be viewed by some as cosmetic.

### Decisions:

Option 1. Move Eximbank to Commerce with a full time Board of Presidential appointees. Secretary of Commerce gives policy direction and serves as Board Chair.

(Supported by Commerce, Labor, Treasury

Option 2. Appoint the Secretary of Commerce Board Chair of an independent Eximbank.

\_\_\_\_\_ (acceptable to Eximbank)

Option 3. No change from independent agency status, other than policy advice from general advisory group chaired by Commerce.

\_\_\_\_\_ (supported by Eximbank)

### Commercial Representation Options

The State Department's Commercial Officers, who represent U.S. commercial interests abroad, are criticized by some Members of Congress and some American businessmen.

The debate over the effectiveness of Commercial Officers centers upon whether the function is better staffed by Foreign Service Officers in State or employees of Commerce. Critics claim that commercial representation is subordinated to economic reporting, attracts less capable Foreign Service Officers and further, that the skills, training and career aspirations of diplomats are not consistent with the job requirements for commercial representation.

Recently, each embassy has been instructed to harness all of the embassy resources -- political and economic -- to support commercial interests abroad. Further, economic and commercial activities are handled jointly in smaller embassies; separating them there could destroy an integrated system.

Two options could strengthen our commercial representation.

Option 1. Move the Commercial Officers from State to Commerce.

#### Pros

- Would put both domestic and overseas export promotion staffs under an agency that emphasizes expanding U.S. exports.

- Would symbolize visible improvement that would be appreciated by Congress.
- Would be consistent with Ribicoff and Byrd proposals.
- Specialists from other agencies already perform similar functions and do not detract significantly from ambassadorial control or foreign policy cohesiveness (e.g., USDA, Labor and Treasury Attaches).
- Could better attract personnel with career interests in business assistance and export promotion.

#### Cons

- Would separate commercial activities from economic activities, which are closely allied and could add to the number of U.S. officials overseas.
- Would be a complicated personnel change that would take some time to effect.

Option 2. Retain the Commercial Officers in State, but strengthen Commerce's role in managing them. State and Commerce would prepare a joint commercial budget and work plan for commercial representation. State would upgrade substantially the priority of commercial affairs. Commerce would have a formal, equal role in the selection, training, annual evaluation reports, assignments and recommendations for promotion of Commercial Officers.

#### Pro

- Would increase the business orientation of commercial affairs without moving personnel or positions.

#### Cons

- Similar changes have been agreed to in the past without success.
- Even with greater cooperation, State and the Foreign Service would continue to exercise personnel control, to the detriment of commercial priorities.
- May not satisfy those on the Hill and in the business community who want to see commercial representation in a trade department.

Decisions

Option 1. Move the Commercial Officers from State to Commerce.

\_\_\_\_\_ (Acceptable to Commerce)

Option 2. Retain the Officers in State, but strengthen Commerce's role in managing them.

\_\_\_\_\_ (Supported by Labor, State, Treasury and Commerce.)

Post-MTN Monitoring and Implementation

Monitoring and implementing the MTN's international codes on trade practices will impose substantial new monitoring, procedural, and enforcement requirements. To some extent these codes will be self-executing, since each country will put the codes into effect for itself. But we must be prepared to monitor major implementation measures abroad and to raise questions about foreign implementation.

We recommend that all MTN monitoring and implementation responsibilities be placed in Commerce. This would assure consistent monitoring by an agency for which trade is a primary concern and that has adequate supporting staff.

Decision

\_\_\_\_\_ Yes (supported by Commerce, Labor, State, Treasury)

\_\_\_\_\_ No

## II. Import Relief

We have examined the three major areas of import relief: (1) administration of antidumping and countervailing duties (CVD), (2) the International Trade Commission's (ITC) unfair trade practices function, and (3) the Trade Act's import relief provisions (now located in STR). Critics complain that the existing dispersion of responsibilities (see Exhibit I-b) retards efforts to obtain import relief and has, at times, resulted in inconsistent actions by different units of government.

Further, export functions are in large measure today separated from import functions, despite the fact that dealings with other nations often encompass both import and export matters.

### Antidumping and Countervailing Duty (CVD) Cases

Countervailing and antidumping duty cases, in which foreign producers are accused of receiving subsidies or selling below fair market value, are handled by Treasury's Office of Tariff Affairs (11 people) and supported by other Treasury personnel (in Customs, etc.). This is the most severely criticized import administration function. Other agencies, as well as private sector and congressional voices, complain of delays and allege unexpected policy changes, lack of coordination, and, on occasion, actions inconsistent with other U.S. trade actions. A 1979 GAO report on dumping concluded that "long periods of time required to conduct investigations, and delays averaging 3 to 3 1/2 years in assessing duties after findings of dumping, make it highly improbable that U.S. industry is being adequately protected by the Antidumping Act."

Both the amended antidumping code and the new, highly significant code on subsidies and countervailing duties emerging from the MTN will require changes in administration. Satisfaction with the way the Administration will administer these laws will be a critical element in securing congressional approval of MTN. Treasury now wishes to increase the resources devoted to CVD and dumping. It has also been suggested that regular interagency consultation might be in order.

We offer two options:

Option 1. Transfer the CVD and antidumping functions to Commerce (and provide for interagency consultation\*)

Pros

- Would place functions in a department likely to give a higher priority to faster enforcement.
- Would help satisfy congressional pressure for trade reorganization and may improve chances for MTN approval on the Hill.
- Would appear to respond to business criticism of CVD and antidumping enforcement.

Cons

- The subsidies and dumping codes of MTN and the implementing law would tend to force greater discipline on timing of CVD and dumping cases regardless of where implementation is located.
- Many critics of Treasury's role disagree not so much with the mechanics of its performance, as with Treasury's alleged preference for non-protectionist policies.
- CVD and dumping should not be separated from the Customs Service, which is best placed to secure the necessary information and collect the duties assessed.

Option 2. Retain in Treasury, but establish interagency consultation and increase resources.

Pros

- Would assure other agencies a chance to comment.

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\* Interagency consultation would center about coordination and timing with related trade issues. The case-by-case adjudicatory and factfinding would remain with either Treasury or Commerce.

- Would be less disruptive than transferring units.
- CVD/dumping function would remain close to Customs.
- Would continue to draw on Treasury's overall experience and management expertise.
- Faster enforcement may result from increased resources Treasury has proposed for this area.

#### Cons

- Unlikely to satisfy private sector and Congressional critics.

#### Unfair import practice cases (Section 337) International Trade Commission

Section 337 of the Tariff Act of 1930 authorizes the International Trade Commission (ITC) to investigate unfair trade practices and to apply sanctions when it determines that such practices have occurred. (The President may disapprove such determinations for "policy reasons".) For many years, ITC considered primarily patent infringement cases under this authority. Recently it decided that its mandate is considerably broader and negotiated a consent order involving Japanese color television imports that the Administration was able to review only after it was concluded.

In spite of ITC's close relationship with the Senate Finance Committee, the Roth-Ribicoff bill, sponsored by four members of the Committee, would transfer the Section 337 authority from the ITC to a new department. Senator Long's principal concern is not with this function, but with injury determination functions not proposed for transfer by this memo. The Commission would continue to determine whether a U.S. industry has been injured in dumping cases, a role that will also apply to CVD cases as a result of the MTN.

The option is to transfer the ITC's Section 337 authority to Commerce, under coordination by the Trade Policy Committee (TPC).

#### Pros

- Would bring into the Executive branch the one import relief procedure not now under its control.
- Would eliminate the possibility of the ITC using this authority to preempt other import relief measures contemplated by the Administration.

- Would be an appropriate part of a consolidation of import relief measures in one agency.

### Cons

- The ITC's friends in the Congress, business and labor may object to any diminution of its autonomy or authority, though these would be lessened by the fact of TPC coordination.
- Overlapping jurisdictional responsibilities may be healthy, since they give business a choice among different relief measures.

### Import-related operational functions of the Office of the Special Trade Representative

Along with its trade agreement and policy coordination functions, STR is charged with negotiating agreements under the Multifiber Arrangement on textiles, administering the Generalized System of Preferences, implementing the escape clause and market disruption provisions of the Trade Act of 1974 (Sections 201-203 and 406), and handling complaints of foreign unfair trade practices under Section 301 of the Act. In each of these activities, STR depends heavily upon staff work provided by other agencies, principally Commerce and State. (Even if these operational functions are transferred, it will be important to retain the STR coordinating role for advice and recommendations to the President when he has the responsibility for action.)

### Pros

- STR's import relief authority could be consolidated with other import relief measures in one agency responsible for trade administration.
- As the overall trade policy coordinator in EOP, STR's neutrality might be easier to maintain if it is divested of its operational responsibilities.
- Post-MTN implementation requirements are more appropriately assigned to line agencies than to an EOP office.

- Commerce already provides much of the staff work for these functions.
- The function could draw upon other Commerce resources such as industry sector analysis.

### Cons

- STR's operational activities in the past have not hindered its policy coordination role.
- Many import relief cases concern agricultural products which should be considered by USDA rather than Commerce.

### Decisions

#### Antidumping and Countervailing Duty functions:

\_\_\_\_\_ Transfer the CVD and antidumping functions to Commerce, and provide for interagency consultation (supported by Commerce)

\_\_\_\_\_ Retain in Treasury, but establish an interagency consultation and increase resources (supported by State, Treasury)

#### Unfair import practices cases (Section 337). (International Trade Commission).

##### Transfer ITC's 337 authority to Commerce:

\_\_\_\_\_ Yes. (Supported by Commerce)

\_\_\_\_\_ No. (Supported by State, Treasury)

#### Import-related operational functions of the Office of the Special Trade Representative

##### Transfer to Commerce

\_\_\_\_\_ Yes. (Supported by Commerce)

\_\_\_\_\_ No. (Supported by State, Treasury)

### III. Trade Policy Direction

Trade policy coordination and negotiation (Part IV) cut across the trade expansion and import relief functions discussed above. (See Exhibit I-c.)

At least twelve agencies and departments are involved in the formulation and execution of U.S. trade policy: STR, State, Treasury, Commerce, Agriculture, Defense, Energy, Labor, Justice, Interior, Eximbank and the Executive Office (including OMB, NSC, the Domestic Policy Staff, and CEA). Policy direction activities range from definition of general policy positions to application of policies in specific cases.

The senior interagency trade group is the Trade Policy Committee (TPC), chaired by STR and including most of the above agencies. Below the TPC are the Trade Policy Review Group (TPRG), at the assistant secretary level, and the Trade Policy Staff Committee (TPSC), a working group. Additionally, there is an East-West Foreign Trade Board that was created to consider commercial policy issues arising in dealing with non-market economies, and an Export Administration Review Board that coordinates strategic export controls with communist countries.

In addition, the National Advisory Council on International Monetary and Financial Policies (NAC), chaired by Treasury, is responsible for U.S. policy regarding trade finance, including providing advice to Eximbank and the CCC. Interagency groups also have been established to deal with commodity issues and export promotion.

Policy coordination has worked well in most instances. However, some complain that important trade policy issues are not addressed through the TPC mechanism and that policies on other issues that affect trade policy (e.g., taxes, human rights) are formulated without fully weighing the trade implications. The role of the TPC could be strengthened by including some or all of the following functions within its purview:

1. Coordinate the countervailing and antidumping duty policy through the TPC mechanism. This coordination would affect policy and timing matters, but not the case-by-case factfinding and adjudication.

#### Pros

- The timing and nature of the findings affect other trade functions and negotiating positions.

- Would blunt some of the criticism that Treasury is acting unilaterally.

### Cons

- As largely adjudicatory and statutorily mandated processes, many consider these issues inappropriate for the interagency process.
- Could raise false expectations that the outcome of the processes would be different, i.e., more favorable for industry.

2. Include under the TPC the formulation of U.S. policy on and the negotiation of commodity agreements, now handled by the Office of International Commodities in State.

### Pros

- Would assure that all affected interests have a voice in decisions.
- Would increase consistency in overall trade policy.

### Cons

- Commodity issues can have implications beyond the trade area.
- State already chairs an interagency task force that includes the basic TPC members.

3. Energy trade issues are resolved by Energy, although they affect other trade matters and could be coordinated by TPC. Lack of coordination between energy negotiators and trade policy interests in other agencies has caused embarrassment for the Administration in the recent past (e.g., inadequate provision for U.S. bidders on Canadian gas pipeline).

### Pros

- Oil imports are important to U.S. trade balance.
- Included in the Byrd bill.

Cons

- Special nature of energy issues calls for special Energy expertise.

Decisions:

1. Include antidumping and countervailing duty policy in the TPC.

\_\_\_\_\_ Yes (supported by Commerce, Labor

\_\_\_\_\_ No (supported by State, Treasury

2. Include International commodity policy in the TPC.

\_\_\_\_\_ Yes (supported by Commerce, Labor,

\_\_\_\_\_ No (supported by State, Treasury,

3. Include Energy import policy in the TPC.

\_\_\_\_\_ Yes (supported by Commerce, Labor, Treasury

\_\_\_\_\_ No (supported by State, Energy

(NOTE: Labor would add East-West trade policy, investment policy, export control policy and export financing policy and include full interagency representation in any interagency trade policy committee not coordinated by STR.)

#### IV. Trade Negotiations

Responsibilities for the negotiations of trade agreements are divided among STR (for the MTN, Orderly Marketing Agreements and free world bilateral trade agreements), State (for commodity policy and trade agreements with communist nations), and Treasury (for negotiations involved with countervailing, antidumping, export credits, and bilateral commissions with the Soviet Union and China). The implementation of the new MTN codes will require followup negotiations.

The present division of negotiating responsibilities may make it more difficult to have consistency in our trade relations with other governments, to fully exploit leverage among different negotiations with the same country, and to avoid having other countries play U.S. agencies against one another.

Two options for organizing our trade negotiating responsibilities merit consideration:

Option 1. Maintaining the status quo with STR continuing its present negotiating and coordinating roles (but conducting the forthcoming MTN implementation negotiations.)

##### Pros

- ° Present system has worked reasonably well.
- ° Would closely associate negotiating and operational responsibilities.

##### Cons

- ° Existing system requires extensive coordination to achieve consistency among negotiations.
- ° Would not use to full advantage the potential leverage from negotiations on one subject to another set of negotiations with the same country.

Option 2. Consolidate all trade-related negotiations in Commerce.

##### Pros

- ° Would ensure that U.S. speaks with one voice in trade negotiations.

- To the extent that operational units were transferred with negotiating responsibility, would ensure that operations are together and that appropriate technical expertise backs up negotiations.
- Would maximize potential to use one trade instrument against another to gain leverage in negotiations with the same country.
- Increases consistency in overall trade negotiating positions.

#### Cons

- Negotiations might be overly representative of Commerce's constituency.
- Would cause significant disruption in current working arrangements.
- Would separate some trade negotiations from non-trade negotiation linkages.
- Many other factors and policies must be considered and it would still be necessary to have an EOP coordinator.

#### Decision.

- \_\_\_\_\_ Continue STR's present negotiating and coordinating roles, including the forthcoming MTN implementation negotiations. (supported by Labor, State, Treasury)
- \_\_\_\_\_ Consolidate all trade-related negotiation in Commerce. (supported by Commerce)

**U.S. TRADE FUNCTIONS:**

**Exhibit I-a**

**EXPORT EXPANSION**

Agency	FY 1979		Functions
	Budget \$ 000	Personnel Positions	
<u>Export-Import Bank:</u>			
Program activities	10,080,000	-	Direct loans, loan guarantees, and insurance to support exports; limited market information program.
Administration expenses	13,740	423	
<u>Treasury Department:</u>			
Office of Trade Finance	145	5	Provide general policy guidance to Export-Import Bank and recommend U.S. positions for international negotiations on terms and extent of official trade financing.
<u>State Department:</u>			
Commercial attaches	21,700	905 (man/years including foreign nationals)	Trade promotion and overseas services to American business.
<u>Commerce Department:</u>			
Industry and Trade Administration	45,528	1,099	Export development, East-West trade promotion, domestic business development and field operations.
<u>Department of Agriculture:</u>			
Foreign Agricultural Service	35,785	365 (including foreign nationals)	Export promotion and service for U.S. agriculture through agricultural attaches and domestic market development activity.
<u>Commodity Credit Corporation</u>	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:**

Exhibit I-b

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	434	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.

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Department of Commerce:

Economic Development Admini- 97,000  
stration

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Trade Adjustment Assistance to  
business and communities.

Department of Labor:

International Labor Affairs 271,122  
and Employment and Training  
Administration

238

Trade Adjustment Assistance to  
workers.

**U.S. TRADE FUNCTIONS:  
POLICY DIRECTION AND NEGOTIATION**

Exhibit I-c

Agency	FY 1979		Functions
	Budget \$ 000	Personnel Positions	
<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 CONGRESSIONAL TRADE DEPARTMENT PROPOSALS  
(Functions Included)**

	Roth-Ribicoff (S. 377)	Byrd (W.Va.) (S. 891)
Agency	Department of International Trade and Investment	Department of International Trade
Agriculture Department	No change	Foreign Agricultural Service
Commerce Department	Export promotion, foreign investment, export administration, foreign trade zones, other trade activities (e.g., East-West trade).	International commercial activities of Industry and Trade Administration.
Energy Department	No change	Direct U.S. participation in multi- and bilateral trade negotiations on energy matters.
Export-Import Bank	Include all	Responsibility for minimizing competition in Government-supported export financing.
Overseas Private Investment Corporation	Include all	New Secretary would be OPIC Board Chairman; OPIC's mission would include promoting U.S. trade position.
Special Trade Representative	Include all	Include all
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.
Treasury Department	International trade and investment; Customs Service; unfair trade and investment competition.	Trade and commodity agreements, Office of Assistant Secretary for International Affairs (except monetary policy, international exchange, and bilateral and multilateral monetary institutions), dumping and countervailing duties, Customs Service.

SUMMARY OF CONGRESSIONAL TRADE DEPARTMENT PROPOSALS  
(Functions Included)

Agency	Roth-Ribicoff (S. 377)	Byrd (W.Va.) (S. 891)
International Trade Commission	Section 337 of Tariff Act of 1930 (unfair trade), tariff nomenclature and statistics.	No change :
Proposed new mechanisms	None proposed	Deputy Secretary for Trade Negotiations; Director of Long-Range Policy Planning; Assistant Secretaries for agriculture, industry and commerce, energy, law enforcement and investiga- tions.

THE WHITE HOUSE

WASHINGTON

April 28, 1979

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: THE PRESIDENT  
FROM: DICK PETTIGREW *Dick*  
SUBJECT: McIntyre Memo re Reorganizing the  
Trade Functions of the Government

Precisely because the Department of Commerce is regarded as a weak department, it should be given the lead trade mission and the clout to carry out the implementation of MTN in both its export and import aspects, to conduct trade negotiations, and the designation as the accountable agency in trade (except for agricultural exports). To reinforce its clout, it should have the retaliatory functions in import relief now housed in Treasury. I am sensitive to the fact that such a transfer could raise concerns that it could give the Department a potential protectionist tilt. My own concerns about that have been overcome by the knowledge that big business in this country is primarily, if not overwhelmingly, free trade in orientation and that trade experts at ECAT (Emergency Committee for American Trade, a free trade lobby on behalf of multi-nationals) support this transfer of anti-dumping and countervailing duties from Treasury. They are joined by experts at the Chamber of Commerce and NAM. The main trade mission of the Department will be to enhance our exports.

A Secretary of Commerce and Trade would have strengthened clout in international trade negotiations if the Secretary possessed trade retaliatory powers. Further, the Secretary's mission would be facilitated in negotiations if strongly involved in export and import credit functions.

I believe the ExIm Bank should be moved into the Department of Commerce and Trade, and the Secretary made ex officio, a member

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and the chairman of the board of directors. Precisely like the Commodity Credit Corporation in Agriculture, the Department should provide administrative services to the Bank, and the Bank should be managed by the board of directors subject to the general supervision and direction of the Secretary of Commerce and Trade. The Commodity Credit Corporation is a successful model, and such a transfer is both dramatic and has the potential of the greatest cost savings.

In connection with the commercial attaches at State, regardless of what improvements are attempted, I feel the effort to improve commercial services in State will be largely futile. Many past Presidents have tried to give increased emphasis to the functions of the commercial attaches without success. The reasons for this are well known. Commercial attache service is not the place to be assigned if one is interested in career advancement in the State Department. Since additional significant resources must be amassed to monitor the MTN codes effectively anyway, I feel strongly that the commercial attaches should be moved into the Department of Commerce and Trade and that a Foreign Commercial Service should be established in the Department comparable to the Foreign Agricultural Service in the Department of Agriculture. The latter has an outstanding reputation because it attracts persons who wish to build a career in that area. Having such a Foreign Commercial Service would place us in the position of effective enforcement of the MTN while carrying out the export expansion mission. The Chamber of Commerce and NAM point out that the same people who are assisting American business abroad are the ideal ones to identify code violations in the same countries.

The National Association of Manufacturers urges that you note that, despite your export declaration of last September, (1) no export council has been appointed; (2) no further export program has been developed; and (3) no solution to the problem of developing a replacement of the "disc" has been developed. This has hurt your credibility in the trade export field. These failures to respond to your highly visible initiatives indicate the lack of cooperation among existing agencies and the lack of priority attention given to trade issues.

This is why I disagree with the contention that reorganization of trade affects only matters at the margin. I feel there are serious organizational problems and serious lack of trade

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focus in the government. The National Association of Manufacturers points out that while two-thirds of our exports are in manufactured goods, the United States ran a \$6 billion dollar global deficit in such exports in 1978 while Germany had a global surplus in such exports of \$51 billion and Japan, \$72 billion. This despite the fact that this country's industrial base overall is technologically competitive except in some areas. I recognize there are other major reasons for limitations on U.S. exports, but I am unpersuaded by the contentions that giving high organization priority to trade is not substantively vital or symbolically important at this time. Such a reorganization can "build a foundation" to solve long-term inflation and energy problems as well.

In the EOP, I think there need be only a small coordinating staff independent of Domestic Policy Staff which has the responsibility for insuring that the Energy Department, Agriculture Department, Commerce, Treasury and other departments cooperate and coordinate in their respective areas with reference to trade policy questions. With Ambassador Strauss going to another assignment, I see no need for an enhanced and enlarged trade negotiation staff housed in the EOP. The existing capacity and MTN "institutional memory" should be moved to Commerce with the other trade functions discussed.

In addition to these substantive reasons, I believe there are two additional reasons for making a comprehensive reorganization proposal in the trade area.

1. Almost all the evidence is that trade reorganization will be widely praised in the press, Congress and the business community, with little downside risk.
2. Your overall reorganization program will suffer significantly if DNR is lost or further diluted. A bold trade reorganization would help replace it. If both were to pass, the effect on your overall reorganization program would be very beneficial.

In summary, I recommend comprehensive trade consolidation in Commerce including Options 3a, b and c.

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EXPORT-IMPORT BANK OF THE UNITED STATES

WASHINGTON, D.C. 20571

FIRST VICE PRESIDENT  
AND  
VICE CHAIRMAN

CABLE ADDRESS "EXIMBANK"  
TELEX 89-461

May 4, 1979

Mr. Richard Hutcheson  
Staff Secretary  
The White House  
Washington, D.C. 20500

Re: Reorganizing the Government's  
Trade Functions

Dear Mr. Hutcheson:

I believe the President should have the opportunity to consider pros and cons of not making any change in Eximbank's status (Option 3, page 11). I am enclosing two pros and one con which could have significant impact and request that they be included.

Sincerely yours,

A handwritten signature in black ink, appearing to read "H.K. Allen".

H.K. Allen

Enclosure

Option 3. No change from independent agency status, other than policy advice from general advisory group chaired by Commerce.

\_\_\_\_\_ (supported by Eximbank)

Pros.

1. Eximbank under present Administration has increased export direct credits over 400%; by changing structure could be signal to business that Administration damaging one of its most effective export tools.
2. Eximbank not costing taxpayers a dime. Putting Eximbank in another Department which is not self sustaining could be seen as management contrary to taxpayers' mood.

Con.

By putting Eximbank in a Department could be interpreted as adding cabinet level authority through a larger bureaucratic structure.



# EXPORT-IMPORT BANK OF THE UNITED STATES

WASHINGTON, D.C. 20571

April 27, 1979

PRESIDENT  
AND  
CHAIRMAN

CABLE ADDRESS "EXIMBANK"  
TELEX 89-461

MEMORANDUM TO THE PRESIDENT

SUBJECT: Reorganizing the Trade Functions  
of the Government

This memorandum comments on the April 26, 1979, draft of the memorandum from Jim McIntyre to you regarding the above subject. My comments are directed primarily at pages 5 and 6 and Options page 30, all relating to Eximbank.

The second paragraph under Trade Financing (page 5) inadequately explains the extent of overall and case-by-case policy guidance now received by Eximbank from other agencies through the National Advisory Council (NAC). The NAC normally meets twice weekly to review major U.S. international financing transactions, including those of the CCC and Eximbank. NAC and OMB representatives also attend Eximbank Board meetings on major loans in which they are free to offer their comments.

This section also implies that Eximbank is presently criticized for doing too much to help U.S. exporters. It is equally true that at least as many businessmen, members of Congress and foreign buyers feel that it does too little.

Finally, it is critical to understand that Eximbank's five Presidentially-appointed full-time Board members are working members, spending approximately half their time in preparation for and attendance at Board meetings involving 40-50 loan, insurance or guarantee transactions each week. Thus, the Board is not simply an advisory group which meets periodically simply to consider broad policy issues. This factor must be considered in all proposals for eliminating, expanding or changing the role of the Bank and the Board.

The Eximbank Organizational Options on pages 5 and 6 require clarification.

Option 1 (Move Eximbank into Commerce and give the Secretary of Commerce policy control) could be interpreted to mean elimination of the Board entirely. If consolidation of Eximbank into Commerce is viewed as essential, a wiser and politically more acceptable alternative would be to move Eximbank into Commerce, giving the Secretary of Commerce policy guidance as the Chairman of the Eximbank Board while retaining the present Board of full-time Presidentially-appointed Directors, one of whom would be designated as President of the Bank and Vice Chairman in the absence of the Secretary or Under Secretary.

Option 2 on page 6 is really two quite different alternatives. I believe that the first alternative -- to change the Eximbank Board from an independent Chairman and four individuals selected from the private sector to an independent Chairman and six individuals, three from the "private sector" and one each from Commerce, Treasury and State -- is unworkable and fails to recognize both the nature of the Board and the extent of the present inter-agency input, as discussed above.

The second alternative -- to retain the four private directors and replace the Eximbank President with the Secretary of Commerce as Chair of the Board, with the President continuing as Chief Executive Officer -- is acceptable -- if it is clear that the Secretary could not delegate the Chairmanship more than one step (i.e., "Under Secretary for Foreign Trade") with the President serving as Vice Chairman in the absence of the Secretary or Under Secretary.

This would provide a more defined channel for liaison with the President and other Cabinet officers, while alleviating if not totally eliminating the "cons" set forth in the paper. Nevertheless, this would be a rather strange structural relationship.

My preference would be for no change from the present independent agency relationship, with continuing interagency input from the NAC (or, alternatively, a similar export-oriented general advisory group chaired by the Secretary of Commerce).

Accordingly, Options page 30 regarding Eximbank should be expanded from the presently vague three options to four options. (See Appendix A for proposed revised option language.)

  
John L. Moore, Jr.

Attachments



# EXPORT-IMPORT BANK OF THE UNITED STATES

WASHINGTON, D.C. 20571

PRESIDENT  
AND  
CHAIRMAN

April 27, 1979

CABLE ADDRESS "EXIMBANK"  
TELEX 89-461

MEMORANDUM TO: Rick Hutcheson  
Staff Secretary

Attached are ten copies of my comments on Jim McIntyre's April 26 draft memo re Reorganizing the Trade Functions of the Government. My strong preference would be to have the April 26 draft revised to incorporate the badly-needed clarifications discussed in my memorandum to the President. With this in mind I have enclosed proposed redrafts of portions of pages 5, 6 and 30. If these clarifications cannot be incorporated, then the attached Memorandum to the President should be sent forward.

  
John L. Moore, Jr.

Attachments

APPENDIX A

REVISED EXIMBANK OPTIONS, PAGE 30

o Move Eximbank into Commerce with or without existing full-time board or make the Secretary of Commerce the Chairman of the Eximbank Board (pages 5 and 6).

\_\_\_\_\_ Move Eximbank to Commerce without full-time Board of Presidential appointees (supported by \_\_\_\_\_)

\_\_\_\_\_ Move Eximbank to Commerce with full-time Board of Presidential appointees and Secretary (or Under Secretary in Secretary's absence) as Chairman and Eximbank President as Vice Chairman acting in their absence (supported by \_\_\_\_\_)

\_\_\_\_\_ Secretary of Commerce (or Under Secretary in Secretary's absence) chairs independent Eximbank Board, with Eximbank President as Vice Chairman acting in their absence (supported by \_\_\_\_\_)

\_\_\_\_\_ No change in independent agency status other than policy advice from general advisory group chaired by Secretary of Commerce (supported by Eximbank, \_\_\_\_\_)

Currently, Eximbank receives policy guidance on its transactions through the National Advisory Council (NAC) composed of representatives of Treasury, Commerce, State, Eximbank and the Federal Reserve Board. The NAC meets at least twice weekly to review U.S. international financing transactions, including those of the CCC and Eximbank. Other agencies such as AID, Labor and OMB usually attend. NAC and OMB representatives also attend Board meetings at which they are free to offer their comments.

Although generally credited with doing a good job, Eximbank has been criticized in the past for supporting U.S. exports where there is little foreign competition and where commercial financing is theoretically available (although often not on terms which are competitive with those offered by foreign export credit institutions). Eximbank has a full-time board of five Presidentially-appointed directors who spend approximately half their time in or preparing for Board meetings involving actual cases.

#### Eximbank Organizational Options

1. (a) Move Eximbank into Commerce and give the Secretary of Commerce policy control.

#### Pros

- o Would strengthen the Government's ability to promote exports by increasing coordination and consistency between its promotion and financing arms.
- o Would signal a strong commitment to increasing exports and thus help enactment of the MTN.
- o Would reduce the number of separate agencies providing export assistance with which businesses must deal.
- o Would conform to recommendations of most Congressional and business (e.g., NAM) proposals on trade reorganization.

#### Cons

- o Would diminish the advantages of an "anonymous buffer" provided by an independent bank (e.g., the State Department cannot now be accused of being unfaithful to a particular country if a loan application is denied). If Eximbank becomes part of the Executive Branch, this flexibility would be lost.

- o Elimination of the independent board may concern some business and Congressional people.

- o Could imperil the objectivity of Eximbank's credit decisions if promotional considerations become paramount.

2. (b) Move Eximbank into Commerce, giving the Secretary of Commerce policy guidance as the Chairman of the Eximbank Board, but retaining the present Board of full-time Presidentially-appointed directors, with one of them designated as President of the Bank and Vice-Chairman in the absence of the Secretary or Under Secretary. Maintain interagency input through the advice of the NAC.

Pros

- o Same as alternative (a), while alleviating, if not totally eliminating the "cons."

Cons

- o Some minor savings from eliminating a few board members might be lost.

3. Change the Eximbank Board from an independent Chairman and four other Presidential appointees to an independent Chairman and six persons -- three Presidential appointees and one representative each from Commerce, Treasury and State.

Pros

- o Arguably would increase Executive Branch policy guidance without moving Eximbank.

- o Would arguably move in the direction favored by many Congressional and business recommendations (i.e., greater coordination while retaining independent decisions).

Cons

- o Would compromise decision-making independence of the Board, which has statutory mandate to consider reasonable assurance of repayment.

- o Could result in a diminution of private sector expertise and perspective.

- o Since substantial portion of Board time is spent reviewing and participating in actual decisions, high-level agency participation is unlikely and quality of agency input could differ insignificantly from present NAC participation.

4. Retain the five private directors, replacing the Eximbank President with the Secretary of Commerce as Chairman of the Board. The President would continue as Chief Executive Officer and Vice Chairman and interagency input would be maintained through the advice of the NAC.

#### Pros

- o Same as alternative (a).

- o Retains interagency input, but eliminates problems of juxtaposing Presidential appointees and agency representatives of undefined level and quality.

- o Establishes more defined channel for high level presentation of agency views and communication of Administration concerns.

#### Cons

- o Lack of major change in present structure could be reviewed by some as "inadequate" reorganization.

- o Unusual relationship for independent agency.

THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

April 28, 1979

MEMORANDUM FOR THE PRESIDENT

From: Charlie Schultze <sup>CLS</sup>

Subject: McIntyre Memo Re: Reorganizing the Trade Functions  
of the Government

I fully concur with the general tone of this memo that whereas trade reorganization may reduce some of our marginal trade problems, it will not eliminate those fundamental problems that exist with our trade performance or policy.

From my point of view, the most serious problems which crop up in our trade policy is the low weight often attached to consumer interests (e.g., inflation) as opposed to producer interests. I am doubtful that this problem will be overcome through trade reorganization. It must be handled by agencies like CEA, OMB, and Treasury weighing in heavily, on a case by case basis, in the interests of consumers.

My specific recommendations on the McIntyre memo are as follows: I am in favor of expanding the Commerce Department's trade responsibilities (Option 3), and opposed to Option 1 as being purely cosmetic and Option 2 as being much too comprehensive for any likely positive effects.

Within Option 3, I would recommend that you choose Option 3A and oppose Options 3B and 3C. The export functions within our trade policy are best served in Commerce's already-existing departments. To add the import relief functions to Commerce as outlined in Option 3B would be to add a further protectionist force to our import policy, and I believe that our trade negotiations (Option 3C) are best served under the direction of the STR. Within Option 3A, I recommend that you even further strengthen Commerce's export role by moving both Eximbank and the commercial attaches into the Commerce Department. At the very least, the attaches' responsiveness to the Commerce Department should be increased.

With respect to policy coordination, I recommend that you do give the TPC coordinative responsibilities over the Treasury's antidumping and countervailing duty functions (Option 4A) and our international commodity policy (4B), but not international energy policy (4C) which is quite beyond the normal functions of the agencies represented.

The substance of my recommendations is to strengthen Commerce's export promotion role but not give it expanded authority over import policy, since I believe this would ultimately generate more protectionism.



THE SECRETARY OF THE TREASURY

WASHINGTON 20220

April 28, 1979

MEMORANDUM FOR RICK HUTCHESON  
STAFF SECRETARY  
THE WHITE HOUSE

Subject: Jim McIntyre's Memorandum on  
Reorganizing the Trade Functions  
of the Government

As requested, enclosed are Treasury's comments on the details of the subject memorandum. Treasury's positions on the options are indicated on the attached copy of the subject memorandum.

Jim McIntyre and I have agreed that the memorandum will not go forward to the President until this matter is discussed by the Steering Committee of the Economic Policy Group Monday morning.

I anticipate that a much shorter and easier to comprehend decision memorandum on this issue will go forward to the President. You may wish to hold this long and detailed memorandum until after the Economic Policy Group has reviewed the matter on Monday.

W. Michael Blumenthal

Attachments

4/27/79

TREASURY COMMENTS ON MEMORANDUM FOR THE PRESIDENT ON  
REORGANIZING THE TRADE FUNCTIONS OF THE GOVERNMENT

Comments are indicated in the attached copy of the memorandum, especially in the section on import relief (pp. 11-17). The following comments are keyed by page number to the subject memorandum forwarded on April 26.

Page 3

- o First paragraph: It should be noted that the Chairman of the House Subcommittee on Trade, Charles Vanik, has declared his opposition to a new trade department. His view that such a proposal is unlikely to pass the House is reported on the front page of the April 24 Journal of Commerce.
- o Section C, second paragraph, last sentence: "Inflation" and "energy" should be added to the list of policies which often conflict with and dominate trade issues.

Page 5

- o The footnote should be deleted. Treasury's Office of Trade Finance (OTF) provides essential trade finance analysis which Treasury needs regardless of Eximbank's location. OTF also provides analysis regarding the Commodity Credit Corporation and the Foreign Military Sales Program.

Page 6

- o Option 1: The first pro is overly simplistic and should be deleted.

Page 11

- o Last paragraph: Fourth word of first line should be "agencies" rather than "agency".

Page 13

- o Last paragraph: The section in parentheses-- "presumably by reallocation within Treasury"-- should be deleted and replaced by the following: "and has submitted a request to OMB for 182 additional employees and an increase of \$6.4 million for FY 1980."
- o The footnote should be deleted. The numbers are incorrect. The correct numbers are indicated above.

Page 14

- o Option 1, first pro: The word "faster" should be deleted. Speed is a function of resources which are unchanged in this option. Merely transferring the function will not increase speed.
- o Option 1, second con: The following sentence should be added: "Treasury has been highly praised for its administration of the Trigger Price Mechanism for steel where sufficient resources were committed."

Page 17

- o The functions of the Office of Foreign Assets Control are primarily financial, not trade. Hence, the office is appropriately located in Treasury.
- o The last paragraph should be deleted. The dominant economic interest of the bilateral commissions is not trade but investment.

Page 19

- o Option 1: The following con should be added: "Some members of Congress want less not more political input."
- o Option 2 concerning commodity agreements should be deleted. Commodity agreements are ancillary to trade policy. They are handled largely in different channels by different people and in different international fora (not GATT) than trade issues.

Page 23-25

- o Section V, Political Assessment, was not included. Hence, we cannot comment.

Page 29

- o Rather than identify them as options 3A, 3B, and 3C, these options should more accurately be identified as 3, 4 and 5.

Page 30

- o An additional alternative is needed under Option 3A concerning Eximbank. The following alternative appears on page 6 and should be offered on page 30. "Change the Eximbank Board from an independent Chairman and four individuals selected from the private sector to an independent Chairman and six individuals--three from the private sector and one each from Commerce, Treasury, and State."
- o Option 3A: Under item "a" foreign assets control is mistakenly identified as an import relief function. It should be deleted.
- o Option 3B: Under item "d" the bilateral commissions are mistakenly identified as an import relief function. Item "d" should be deleted.

THE SECRETARY OF STATE  
WASHINGTON

April 30, 1979

MEMORANDUM FOR: THE PRESIDENT

FROM: Cyrus Vance *CV*

SUBJECT: Comments on OMB Memorandum on  
Reorganizing the Trade Functions  
of the Government

Major Organizational Changes (Options 2, 3B, and 3C). The OMB memorandum on trade reorganization properly makes clear at the outset that the present organizational arrangements are not a basic cause of trade problems. The memorandum recognizes that reorganization cannot eliminate the difficult task of accommodating trade policy objectives, such as promoting exports or providing relief from unfair import competition, with other important U.S. policy objectives, such as preserving our national security or combatting inflation. The memorandum also points out that proponents of reorganization are seeking to change the substance of our trade policy by changing its organizational structure -- for example, by moving import relief functions from Treasury to a department more susceptible to protectionist pressures.

Thus I believe it would be unnecessary and unwise to adopt any of the options involving major organizational change -- consolidating import relief and various trade negotiating functions in a "Department of Commerce and Trade" (Options 3B and 3C) or in a separate subcabinet "Board of Trade" (Option 2). These alternatives approximate the Byrd and Ribicoff-Roth proposals which I believe all your advisors oppose.

Export Promotion (Option 3A). Rather than embarking on an unnecessary and disruptive reshuffling of trade functions, we should concentrate on organizing to take advantage of the unique opportunity presented by completion of the MTN for expanding U.S. exports. I favor the proposal to give Commerce lead responsibility for the new export promotion functions created as a result of the MTN agreements (Option 3A). Commerce

- 2 -

would take the lead in ensuring that U.S. firms are fully aware on a timely basis of new trade opportunities arising out of the MTN and that our trade partners are complying with their MTN obligations. I also support a leadership role for Commerce in formulating export financing policy (second additional decision under Option 3A). This should be done by having the Secretary of Commerce chair the Eximbank board, rather than by moving Eximbank to Commerce and thereby involving Commerce in the operational aspects of export financing. I believe these changes will respond to a major source of Congressional interest in trade reorganization and will enhance the prospects for passage of the MTN implementing legislation.

As for commercial representation abroad, I support a strong collaborative effort by State and Commerce to increase the effectiveness of commercial attaches and to instruct our diplomatic missions -- Ambassadors as well as attaches -- in their important role in the post-MTN export expansion effort. However, I strongly oppose organizational changes such as transferring the commercial attaches from the State Department's Foreign Service to a separate personnel system in the Commerce Department (first additional decision under Option 3A). Moving the commercial attaches to Commerce would result in wasteful duplication of effort and unnecessarily larger staffing requirements abroad, would create an artificial separation between closely related economic and commercial activities, and would reduce the attractiveness of commercial representation jobs by eliminating the possibility of promotion to high-level diplomatic positions offered by the Foreign Service. I believe Commerce also opposes such a transfer.

Import Relief (Options 2 and 3B). I recommend against moving import relief responsibilities to the Department of Commerce (Option 3B) or to a "Board of Trade" (Option 2).

Moving import relief functions to a Department perceived as having a special responsibility for U.S. industry could have the appearance and effect of introducing a protectionist bias. Consolidating these functions in a "Board of Trade" would provide a focal point for protectionist pressures. Moreover, I see no merit in trying to combine Treasury's non-discretionary, fact-finding functions in antidumping and countervailing duty cases with the quite different discretionary import relief functions performed by STR and the ITC.

Instead I would respond to criticism of import relief functions by increasing Treasury's resources to ensure more expeditious handling of antidumping and countervailing duty cases. This can be done, as discussed in the OMB memorandum, as part of our implementation of the new subsidy/countervailing duty code and other MTN provisions.

Negotiation (Options 2 and 3C). I oppose moving trade-related negotiating functions from STR, State and Treasury to Commerce (Option 3C), or consolidating these functions in a "Board of Trade" (Option 2). Although it is not entirely clear which negotiating functions would be transferred under these options, many of these functions serve important policy interests apart from a strict trade focus on expanding exports or restricting imports. For example, State's negotiation of trade agreements with Communist countries involves essential foreign policy considerations, and our negotiation of international commodity agreements is aimed primarily at developmental and market stabilization objectives. Similarly, Treasury has negotiated agreements with other finance ministries to limit competition in subsidizing export financing; this role should be continued.

Coordination (Option 4). STR and the Trade Policy Committee (TPC) should continue to perform the central coordination role on all significant trade policy issues. This coordination has been excellent, as the OMB memorandum acknowledges.

However, I do not favor extending the coordination role of the TPC to issues which are not primarily concerned with trade policy. Such marginally trade-related issues include international commodity policy (Option 4B) -- which attempts to improve the efficiency of particular commodity markets and is central to the North/South dialogue -- and energy import policy (Option 4C) -- which is subject to overriding energy policy objectives that were the reason for establishing the Department of Energy. I also believe it would serve no useful purpose to give the TPC a coordinating role over the basically fact-finding exercises involved in countervailing duty and antidumping cases (Option 4A).

U.S. DEPARTMENT OF LABOR  
BUREAU OF INTERNATIONAL LABOR AFFAIRS  
WASHINGTON, D.C. 20210



4 May 1979

MEMORANDUM FOR: RICK HUTCHESON  
STAFF SECRETARY  
THE WHITE HOUSE

FROM: HOWARD D. SAMUEL  
Deputy Under Secretary  
International Affairs

SUBJECT: Trade Reorganization Memo

HDS

Attached are Labor Department suggested revisions for the Presidential decision memorandum on reorganizing the trade functions of the government.

As indicated by Secretary Marshall in his memorandum to James McIntyre, the Labor Department feels very strongly that an option for improving interagency coordination of trade policy (page 21) should be presented to the President for his decision. I would appreciate it if you could contact me or my associate, Brian Turner (523-6011), if this change can not be made in the decision memorandum.

Attachment

COMMERCE POSITION ON SPECIFIC OPTIONS

The Commerce Department's position on the various options is as follows:

Option 1 (page 27) - No.

Option 2 (page 28) - No.

Option 3A (page 29) - Yes.

Suboptions under Option 3A (page 30)

    First suboption - Yes.

    Second suboption - Move Exim Bank to Commerce.

    It is our understanding that the second suboption, concerning Exim Bank, will be slightly restructured so that the "move Exim Bank to Commerce" proposal will retain the Bank's integrity while providing the Secretary of Commerce with policy oversight responsibility (perhaps as Chairman of the Board) for the Bank.

Option 3B (page 31) - Yes.

Option 3C (page 32) - Yes.

Option 4a (page 32) - Yes.

Option 4b (page 32) - Yes.

Option 4c (page 33) - Yes.

We further understand that Option 2 may be deleted entirely. We favor that deletion.

5  
1

THE SECRETARY OF COMMERCE

WASHINGTON, D.C. 20230

March 8, 1979

ACTION

RL  
MEMORANDUM TO THE PRESIDENT

SUBJECT: Proposal to Create an Under Secretary of  
Commerce for Trade

This week I have forwarded to Jim McIntyre a trade reorganization proposal along the lines discussed earlier with Jim and Stuart. This proposal would signal greater federal commitment to strengthening exports, improve government efficiency and offer a reorganization proposal with broad support on the Hill. I believe both Jim and Stuart will support such an option.

The purpose of this memorandum is to recommend the creation of an Under Secretary of Commerce for Trade and the appointment of Frank Weil to that position. These steps would fit well the suggested reorganization proposal. This appointment could be part of the trade enhancement reorganization, or it could be made in anticipation of such a move. With or without reorganization, however, we need to upgrade the trade function. A new Under Secretary for Trade would better equip the Department to respond to the growing national concern about trade in general and exports in particular.

There would be several specific advantages to this appointment:

o Administration Support for Trade. This would underscore your commitment to give exports the high level, sustained and focused attention they merit. At a time of growing concern about trade within the Congress--as well as among the governors--the elevation of trade and export related matters to the level of Under Secretary will be beneficial to our trade picture.

o Better Coordination of Trade Functions. Widely scattered trade support functions in the Executive branch have made planning, budgeting and coordination difficult. Congress and the private sector have criticized the government for failing to develop a coherent export effort and a clear institutional lead in the trade area. An Under Secretary for Trade would make available an officer of sufficient rank, equal to the other Executive departments with which we constantly work, to coordinate trade and industry programs within the Department and to implement the National Export Policy you announced last September.

o MTN Legislation. Influential members of both Houses of Congress have expressed an interest in strengthening our overall trade functions in conjunction with the MTN legislation. I believe this appointment could facilitate passage of the legislative trade package.

o Consistency with Other Departments. Creation of a second Under Secretary would be consistent with each of the Departments (State, Treasury and Defense) with which we most commonly deal. Under Secretaries in each of these Departments fill an important need in a specific area of significant national concern (e.g., monetary affairs, research and engineering, etc.).

In summary, I recommend the creation of this new position and the appointment of Frank Weil. Frank's record of accomplishments has served the Administration well, and he can be extremely helpful in the passage of an MTN package.

  
Juanita M. Kreps

ID 790942

THE WHITE HOUSE

WASHINGTON

DATE: 12 MAR 79

FOR ACTION: TIM KRAFT

ARNIE MILLER

INFO ONLY: THE VICE PRESIDENT

STU EIZENSTAT *attached*

FRANK MOORE

JACK WATSON

ANNE WEXLER

JIM MCINTYRE

RICHARD PETTIGREW

SUBJECT: KREPS MEMO RE PROPOSAL TO CREATE AN UNDER SECRETARY OF  
COMMERCE FOR TRADE

+++++ +++++ +++++

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

+ BY: +

+++++ +++++ +++++

ACTION REQUESTED: YOUR COMMENTS NO DEADLINE

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

PLEASE NOTE OTHER COMMENTS BELOW:

DATE: 12 MAR 79

FOR ACTION: TIM KRAFT

ARNIE MILLER

INFO ONLY: THE VICE PRESIDENT

STU EIZENSTAT

FRANK MOORE

JACK WATSON

ANNE WEXLER

JIM MCINTYRE

RICHARD PETTIGREW

SUBJECT: KREPS MEMO RE PROPOSAL TO CREATE AN UNDER SECRETARY OF  
COMMERCE FOR TRADE

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

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ACTION REQUESTED: YOUR COMMENTS NO DEADLINE

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

PLEASE NOTE OTHER COMMENTS BELOW:

We believe any decision regarding a new position should be part of an overall trade reorganization. OMB should first determine the appropriate structure and functions of our trade enhancement activities, before a judgement is made on this recommendation.

3/12 - RAP  
cc: Tom

DATE: 12 MAR 79

FOR ACTION: TIM KRAFT

ARNIE MILLER

INFO ONLY: THE VICE PRESIDENT

STJ EIZENSTAT

FRANK MOORE

JACK WATSON

ANNE WEXLER

JIM MCINTYRE

RICHARD PETTIGREW

SUBJECT: KREPS MEMO RE PROPOSAL TO CREATE AN UNDER SECRETARY OF  
COMMERCE FOR TRADE

+++++  
+ RESPONSE DJE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +  
+ BY: +  
+++++

ACTION REQUESTED: YOUR COMMENTS NO DEADLINE

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

PLEASE NOTE OTHER COMMENTS BELOW:

*This should await I.O.P. trade policy  
and organizational review rather  
than prior thereto. This review is just  
now getting underway.*

THE WHITE HOUSE

WASHINGTON

March 16, 1979

MEMORANDUM FOR: THE PRESIDENT

FROM: STU EIZENSTAT *SEM*

SUBJECT: Secretary Kreps' Proposal to Create an Under Secretary of Commerce for Trade

A task force within the EOP is in the process of considering various options for the possible reorganization of the Government's conduct of trade policy. The task force will shortly be expanded to include representatives of State, Treasury, Commerce, etc. We have not yet reached the stage of recommending particular options for your approval.

I do not think you should approve the creation of a new senior trade position before you have made your decisions on trade reorganization itself. Until you decide whether and how the conduct of trade policy should be reorganized, we will not know whether we need a new senior trade position or what responsibilities that position would entail.

Ultimately, such an Undersecretary might well be advisable and Frank Weil is well thought of by the business community. But this decision should be part of the overall reorganization effort.

ID 790677

THE WHITE HOUSE

WASHINGTON

DATE: 21 FEB 79

FOR ACTION: TIM KRAFT *over*

ARNIE MILLER

*Hold - rec. Com*

INFO ONLY:

SUBJECT: KREPS MEMO RE UNDER SECRETARY OF COMMERCE

+++++

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

+ BY: 1200 PM FRIDAY 23 FEB 79 +

+++++

ACTION REQUESTED:

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

PLEASE NOTE OTHER COMMENTS BELOW:

*1*

ID 790677

THE WHITE HOUSE

WASHINGTON

DATE: 21 FEB 79

FOR ACTION: TIM KRAFT

ARNIE MILLER

INFO ONLY:

SUBJECT: KREPS MEMO RE UNDER SECRETARY OF COMMERCE

+++++  
 + RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +  
 + BY: 1200 PM FRIDAY 23 FEB 79 +  
 +++++

ACTION REQUESTED:

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

PLEASE NOTE OTHER COMMENTS BELOW:

*T-K*

*2/22/79 - Rick how is this for fast work.*

*Green*



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

MAR 21 1979

MEMORANDUM FOR THE PRESIDENT

FROM: James T. McIntyre, Jr. *J. McIntyre*

SUBJECT: Secretary Kreps' Proposal to Create an Under Secretary of Commerce for Trade

On March 8, Secretary Kreps wrote you to recommend creating an Under Secretary for Trade and appointing Frank Weil to that position. On the previous day, the Secretary sent me a trade reorganization proposal.

While it may make sense to create such a position, now is not the time. Rather, the recently convened EOP task force on trade reorganization should first evaluate a number of organization proposals and recommend one to you. I believe we should then decide the Under Secretary question and announce then our entire trade reorganization proposal at one time.

To this end, I recommend you defer Secretary Kreps' request for the next several weeks until the task force has made its organization recommendations to you.