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TO AMEND THE INTERNATIONAL ECONOMIC POLICY  
ACT OF 1972

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JUNE 4, 1973.—Ordered to be printed

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MR. SPARKMAN (for Mr. STEVENSON), from the Committee on Banking, Housing and Urban Affairs, submitted the following

REPORT

[To accompany S. 1636]

The Committee on Banking, Housing and Urban Affairs, to which was referred the bill (S. 1636) to amend the International Economic Policy Act of 1972 having considered the same, reports favorably thereon with amendments and recommends that the bill as amended do pass.

PURPOSE OF THE LEGISLATION

This bill authorizes appropriations for Fiscal Years 1974 and 1975 for the Council on International Economic Policy (CIEP). In addition, S. 1636 amends Title II of the International Economic Policy Act of 1972 in the following respects:

(1) Instead of serving as Chairman of CIEP, the President shall designate the Chairman from among the statutory members of CIEP.

(2) The Executive Director of CIEP may appoint and fix salaries for members of the CIEP staff without regard to the provisions of Title 5, United States Code, governing appointments in the competitive service; except that this exemption shall not apply to personnel performing functions now performed by career personnel in the Office of the Special Trade Representative (STR). The Administration announced that it intends to merge STR into CIEP following enactment of S. 1636.

(3) Effective June 30, 1973, the Executive Director of CIEP shall be appointed by the President and shall be subject to confirmation by the Senate.

For necessary expenses of CIEP, the bill authorizes to be appropriated \$3,000,000 for Fiscal Year 1974 and \$3,000,000 for Fiscal Year 1975.

NEED FOR THE LEGISLATION

The Council on International Economic Policy (CIEP) was established to coordinate international monetary, investment, and trade

policies. The creation of CIEP within the Executive Office of the President was recommended in 1970 by the Advisory Council on Executive Organization. CIEP was created by Presidential order on January 19, 1971. Subsequently, the Presidential Commission on International Trade and Investment Policy recommended that CIEP be given permanent authorization.

On August 29, 1972, in the International Economic Policy Act of 1972, the Congress gave statutory authorization to CIEP through June 30, 1973. The sum of \$1,000,000 was appropriated for the expenses of CIEP during this period in Chapter IX of P.L. 92-607, enacted on October 31, 1972.

On April 17, 1973, the Director of the Office of Management and Budget transmitted to the Senate a bill to amend the International Economic Policy Act of 1972, which was subsequently introduced as S. 1636 and referred to the Committee on Banking, Housing and Urban Affairs. The Administration bill provided for open-ended authorizations of appropriations for CIEP. It also deleted the provision requiring the President to serve as Chairman of CIEP, instead providing that the President designate the Chairman from among the Statutory members of CIEP. Finally, the bill, as introduced, exempted the CIEP staff from regulations governing appointments in the competitive service under title 5 of the United States Code.

In his letter of transmittal, the Director expressed the President's intention to appoint the Secretary of the Treasury as Chairman of CIEP, once he received the statutory authority to do so. The Director also indicated that the President planned to merge the functions and staff of the Office of the Special Trade Representative under CIEP, with the Special Trade Representative receiving direction from the President through the CIEP and its Executive Director.

The Subcommittee on International Finance held hearings on S. 1636 on May 14 and 15. It received testimony from the current Executive Director of CIEP, Mr. Peter Flanigan, from the current Special Trade Representative, Ambassador William Eberle, and from a number of public witnesses. In addition, the Subcommittee received correspondence from Mr. George Shultz, Assistant to the President and Secretary of the Treasury, concerning the proposed relationships between CIEP, the Office of the Special Trade Representative and the Council on Economic Policy, chaired by Secretary Shultz.

In testimony before the Subcommittee, all witnesses agreed on the need for coordination among different aspects of American international economic policy. Effective trade policy, for example, cannot be formulated without due regard for monetary and investment policies. Mr. Flanigan noted that more than 50 agencies and departments of the federal government have some responsibility and jurisdiction for international economic policy and, therefore, that CIEP is a necessary focal point for policy coordination. There was also agreement that international economic policy must be made in coordination with domestic economic policy and with other, non-economic, aspects of American foreign policy.

While there was unanimous support in the Subcommittee's hearings for the principle of policy coordination, different assessments were offered concerning the effectiveness of CIEP in providing such co-

ordination. Questions were also raised as to whether coordination could not be effected through other existing mechanisms, such as the Council on Economic Policy (CEP). These issues remain unresolved, in large part because both CIEP and CEP are too new to have established clear patterns of inter-relationship and records of failure and success.

The Committee recognizes that the President should be given reasonable latitude in determining the means most congenial to him by which international economic policy should be formulated and coordinated, providing, of course, for accountability to the Congress. But the climate and conditions affecting the character of international economic policy are of such importance and in such flux that a decision-making structure today may be inappropriate tomorrow. For this complex of reasons, the Committee recommends that CIEP be authorized for a two-year period, after which it shall then be subject to re-evaluation by the Congress.

Although not specifically provided for in S. 1636, the President's intention to merge the Office of the Special Trade Representative (STR) into CIEP also received careful consideration by the Committee. Mr. Flanigan and Ambassador Eberle asserted that this reorganization would further enhance the coordination of policy and the coherence of policy-making. Other testimony received by the Subcommittee on International Finance included concern that this merger might have the unintended effect of undermining the prestige and effectiveness of the STR in conducting international trade negotiations. Concern was also expressed that this merger might be premature if completed before Congressional action on the President's trade reform legislation, the first such major proposal since enactment of the Trade Expansion Act of 1962, in which the Office of the Special Trade Representative was established. While S. 1636, as reported by the Committee does not affect the President's authority to proceed with the merger as planned, the Committee expects that the merger, if consummated, will not in any way detract from the STR's effectiveness as a negotiator, or from his accountability to the Congress.

#### COMMITTEE AMENDMENTS

In addition to the change from a permanent to a two-year authorization for CIEP, the Committee amended S. 1636 in two other respects. Section 2 of the bill, as introduced, exempts all personnel of CIEP from the provisions of title 5 of the U.S. Code, regarding appointment, compensation, and classification of federal employees. This section continues the provisions already in effect in CIEP personnel as established in P.L. 92-607, providing appropriations for CIEP for the current fiscal year. Most of the professional staff members of the STR, however, are subject to the provisions of title 5. In anticipation of the impending merger of STR into CIEP, the Committee has amended Section 2 of S. 1636 to provide that the exemption from title 5 shall not extend to persons performing the functions of current STR personnel now so covered. Mr. Flanigan, the current Executive Director of CIEP, testified that he had no objection to such a provision.

The Committee also amended S. 1636 to provide that, effective June 30, 1973, the Executive Director of CIEP, appointed by the

President, shall be subject to confirmation by the Senate. The Special Trade Representative and his two deputies are already subject to Senate confirmation. Especially in view of the impending merger, it is only reasonable for the Executive Director of CIEP to be accountable to the Congress in the same manner. It should be noted that S. 590, passed by the Senate on May 9, 1973, by a vote of 72-21, includes a provision requiring Senate confirmation of the Executive Director of CIEP if the provisions of the International Economic Policy Act of 1972 are extended beyond June 30, 1973. The Committee's amendment to S. 1636, which does extend these provisions, conforms to the already expressed will of the Senate.

The Committee reports S. 1636 favorably to provide the President with his preferred means of coordinating international economic policy and other related foreign and domestic policies. The Committee agreed by a voice vote (without opposition) to report the bill. The provision of a two-year authorization for CIEP, in addition to the requirement of Senate confirmation for its Executive Director, ensures that CIEP will remain accountable to the Congress and subject to review and re-evaluation by the Congress within a reasonable period of time. There can be little question of the need for coordination in policy formulation. The Committee and its appropriate Subcommittee will continue to evaluate whether CIEP provides a means of such coordination.

#### CORDON RULE

In the opinion of the committee, it is necessary to dispense with the requirements of subsection 4 of rule XXIX of the Standing Rules of the Senate in order to expedite the business of the Senate in connection with this report.

