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ECONOMIC POLICY BOARD
EXECUTIVE COMMITTEE MEETING

July 28, 1976
8:30 a.m.

Roosevelt Room

AGENDA

1. Report on CIEC

State

~~CONFIDENTIAL~~ ATTACHMENT THE WHITE HOUSE

WASHINGTON

July 27, 1976

MEMORANDUM FOR THE ECONOMIC POLICY BOARD
EXECUTIVE COMMITTEE

FROM: L. WILLIAM SEIDMAN *fwB*

SUBJECT: Report on CIEC

The attached paper, prepared by the Department of State, will be discussed at the Wednesday, July 28, 1976 Economic Policy Board Executive Committee meeting.

Conference on International Economic Cooperation:
Commissions Fail to Agree on Work Programs

The four CIEC Commissions adjourned July 17 after failing to agree on work programs for the second half of the year. A week before, a meeting of Senior Officials had mandated the commissions to establish work programs in July and to concentrate during the fall sessions on producing concrete action-oriented proposals for the December Ministerial. The inability of the commissions to agree on work programs calls into question the future of CIEC in general, and the September meetings of the commissions in particular.

The breakdown was caused by a demand by the developing countries (G-19) that the industrialized countries (G-8) accept language in the work programs which would have prejudged the work of the commissions during the fall. Our delegation, supported by the rest of the G-8 took the line that the work programs could include virtually any subject or issue of interest to the G-19, but that they must be neutrally phrased. The developing country representatives demanded instead work programs which would have committed the industrialized countries in advance to agree in December to large scale and automatic debt relief for many LDCs and indexation of prices for oil and other key commodities. (The indexation issue may have been a last minute addition to preclude a showdown over the single issue of debt.)

After consultation within the G-8, the Canadians, as G-8 CIEC cochairman, were instructed to tell G-19 CIEC Cochairman Perez Guerrero that we could not accept

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the G-19 language on debt and purchasing power (indexation). The two cochairmen then produced an agreed minute simply noting that agreement on work programs had not been reached. It keeps the door open for the September Commission meetings by saying that the co-chairmen will remain in close contact on the remaining issues. However, Perez Guerrero and other G-19 delegates said that the G-19 now views G-8 acceptance of its demands on these two issues as important tests of our "political will" in CIEC, and that without a satisfactory solution the commissions cannot begin their substantive work in September.

The G-19 decision to present non-negotiable demands on debt and indexation appears to have been taken with knowledge that the G-8 would reject them. Therefore, at least a majority of the G-19 sought a public crisis in CIEC.

The decision to choose debt as the decisive issue was probably influenced largely by G-77 internal politics. UNCTAD IV is judged to have produced results on commodities of benefit to the more affluent LDC's; hence CIEC should produce something for the poorer -- debt relief.

Preliminary assessments as to G-19 motivation include:

- The apparent belief of some OPEC participants, notably Iran and Algeria, that (1) CIEC is increasing LDC pressure on them for moderate price policies and increased aid, and (2) that they will not obtain oil price indexation from CIEC.
- Some G-19 countries appear to have concluded that (1) meaningful results can only be achieved by intensified pressure, and/or (2) that prospects for major concessions may be better in 1977 than in the next few months.

We will seek to ensure that G-8 unity is maintained on insisting on objective work programs for the commissions. We will support using the Canadian co-chairman as the focal point for consultation with the G-19 on this issue and encourage other G-8 members to do the same.

MINUTES OF THE
ECONOMIC POLICY BOARD
EXECUTIVE COMMITTEE MEETING

July 27, 1976

Attendees: Messrs. Simon, Seidman, Richardson, Usery, Cannon,
O'Neill, Zarb, MacAvoy, Malkiel, Gorog, Walker,
Veneman, and Porter

1. Tax Legislation

The Executive Committee reviewed a memorandum, prepared by the Department of the Treasury, on an "Appraisal of Pending Tax Legislation." The discussion focused on Administration policy regarding taxation of generation skipping trusts, the legislative outlook for the tax bill, and at what point the President should publicly take a position on the bill.

Decision

The Executive Committee approved reviewing the issue with the President.

2. Wage Settlements

The Executive Committee reviewed a memorandum on "Wage Settlements." The discussion focused on the appropriate role of the Council on Wage and Price Stability, the difficulty of precisely defining an "incomes policy," and the danger of returning to an incomes policy.

Decision

The Executive Committee members were requested to provide Mr. Seidman's office with their comments and recommendations on the memorandum no later than 2:00 p.m. today.

3. Cannery Strike

Secretary Usery reported that he met with the parties from 11:00 p.m. last night to 5:30 a.m. this morning to seek a settlement. The

EYES ONLY

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discussion focused on the differences between the management and union positions, the outlook for a settlement in the near future, the advisability and feasibility of seeking a Taft-Hartley injunction, and whether to recommend that the President meet with a group of California Congressmen on the issue.

EYES ONLY

RBP