

THE WHITE HOUSE
WASHINGTON

Minutes of the Cabinet Meeting
Wednesday, March 26, 1975, 2:00 PM



2:04 President arrived
2:05 Press arrived
2:08 Press departed
2:09 President opened the Cabinet Meeting

The President first welcomed several people; Special Trade Representative, Fred Dent; Dr. John Dunlop, Secretary of Labor; Acting Secretary of Commerce, John Tabor; and noted the presence of John Whitaker substituting for Rog Morton.

Secretary Kissinger had just returned on Sunday from the Middle East and the President asked for a brief report on his mission.

Secretary Kissinger: First the Secretary developed the strategy that was used in the Middle East. He said that it could be summed up in the phrase "step by step approach." At the end of the Israeli/Arab War in 1973, there was a movement toward an embargo against the industrialized nations. World opinion started to move with the Arab states and it became increasingly evident that the United States had to use a different approach to solve the Middle East problem.

President Sadat and the United States agreed to segment the issues and the countries and to develop a step by step strategy. There is no doubt that the United States during this period of negotiation has been the dominate world power. Since July of 1974, the United States has made progress with two of the most difficult countries with which to work, Jordan and Egypt.

Essentially, the roles within the Arab states evolved into two forces: the Moderates, headed by President Sadat and the Radicals, headed by King Asad.

The Radicals wanted the United States to deal with Arab countries on a block or total basis. Whereas Sadat felt that the step by step approach with each country and each issue was the better method. Sadat's theory in cooperation with the United States was accepted by the greatest number of parties and it forced the USSR to go to a moderate course in the Middle East.

Since 1967, the problem in the Middle East has been to negotiate the line which has been drawn in the middle of the Sinai.

The Israelis indicated that they would withdraw if Arab countries would sign an agreement of non-belligerence. Sadat offered giving up all military components of non-belligerence. (1) He agreed to give assurance that the Middle Eastern problem could not be solved by military power. (2) There would be no recourse to force. (3) Israel would not resort to force. (4) There were many secret assurances which cannot now be made public because of the failure of the negotiations.

Israel was negotiating over a few kilometers in distance rather than a complete withdrawal. Israel, however, wanted full non-belligerency or no pullback from the line in the Sinai at all. Sadat said that he could not make all the concessions and only have one half of the pullback. The Israelis wanted to control roads to some of the Arab oil fields by not pulling back from the 1967 occupied territory, the total distance.

Egypt countered and offered two proposals: First, in regard to the passes in the Sinai, the Western end would be controlled by the Arabs and the Eastern end controlled by the Israelis, with the middle ground being kept by a United Nations peace force. Their second proposal was for the Israelis and the Egyptians to move out of the passes, but the Israelis would be closer with the middle ground still to be maintained by a UN peace force. As the Israel position hardened, they were aware that the United States was prepared to back them. As world opinion began to polarize that position for the two countries, it became increasingly clear that the penalty that would be paid for polarization would be very severe.

Since the Secretary's return on Sunday, a break-down in communications between the individual countries within the Arab states has already started. It now appears certain the United States will be forced to go to Geneva. Since there will be no other course to follow at Geneva, the USSR will have a very strategic position. It appears that Western Europe, fearing an embargo, will probably support the Soviet Union and the Arab states. The results of the break-down present, for the United States, a very serious problem.

If the United States maintains level headiness, it appears that it can recover some of the terrain that has been lost, but only if we show substantive progress. The United States is the only power which can produce progress in the Middle East.

The Secretary indicated that it was interesting to note that during the course of the negotiations, the Israelis turned to him and asked if they were being unreasonable.



Secretary Kissinger responded, not only were you unreasonable, you were disasterous.

The Secretary indicated his feeling that there must be progress in the Middle East by August. The United States cannot appear to be too anxious to solve the problem. It now appears that there has been a total reversal of roles of the various forces that are playing in the Middle East. The United States can now sit back and be an observer and not appear to be overly excited about a settlement. After a period of stalemate, the parties can then turn back to the United States for the answer.

Secretary Butz: Mr. Secretary, is the only answer for Israel a return of the land?

Secretary Kissinger: Yes, basically that is correct. Egypt believes the land to be occupied. At Geneva the United States must take one of two positions. If we cannot find grounds for a concession, to make another step forward, and begin negotiations once again, then the second position will be that we may be forced to take a position on the final frontiers of the countries in the Middle East. These positions and these negotiations have all the elements of a Greek tragedy, but in the final analysis, we cannot afford to have world opinion solidified against us. There are three areas of threat: the oil embargo, world opinion, and the Soviet Union. We are dealing in a very delicate and sensitive area, but the United States can come forward, perhaps by late summer, and show some substantial progress and once again return to the step by step approach to achieve peace in the Middle East.

President Ford: The President indicated his interest in consumer protection and consumer representation in the Government and asked Jim Cannon to make a brief status report on the legislation effecting consumers.

Jim Cannon: Mr. Cannon gave a status report on consumer legislation. The situation is very grave on Capitol Hill because the Congress is moving to create a new Federal agency for consumer advocacy. It is Senate Bill 200 and there are 38 senators sponsoring the bill. Its cost would be sixty million dollars for the first three years and it would employ some 600 people. The House passed a bill last year and the House will pass another bill this year. Supporters argue that the agency would be the consumer's lawyer or advocate, while opponents argue that the appointment of an official with unprecedented powers is dangerous for the Government and business.

The Administrator would be appointed by the President. He would be confirmed by Congress. He could only be removed for malfeasance in office. He could choose with whom he would side. He could produce consumer complaints; he could

enter any conflict between or among Federal Government agencies. He could enter any conflict in private business.

There is a feeling by the Administration that this consumer advocacy would do two harmful things: (1) It would intrude into the orderly process of Government, and (2) It would intrude into the orderly process of private business. It is important for this Administration to develop alternatives to this bill and there are two proposals currently being thought about: (1) Beef-up Virginia Knauer's consumer office, giving it much more strength to get involved in consumer affairs, or (2) by Executive Order, create a Consumer Department in each Cabinet office and agency and make it strong. It is the feeling of this Administration that an all powerful agency for consumer advocacy of the type indicated in the bill would be very harmful to the process of Government and private industry.

The President: The President stated that he had asked Jim Cannon to speak with each person during the next two weeks and to get recommendations in regard to the consumer problem. "I want you to be prepared to discuss this at the next Cabinet Meeting."

The President indicated that he had seen an article in Saturday's or Sunday's paper saying that someone was testifying before a Congressional committee and said that the economic impact statement had not been prepared by his Department. "I think that they were talking about Commerce, John Tabor, and I was wondering what you know about that."

Fred Dent: "Mr. President, I can answer that for you. I was testifying before the House Government Operations Committee at the time of the question. The question was relative to whether or not guidelines for economic impact statements had been developed for all of the agencies and departments in the Federal Government and I testified to the fact that I could not categorically say that was the case. Perhaps Jim Lynn has some comment on that."

Jim Lynn: He indicated that this was a logical sequence of discussion because the OMB was concerned about getting on top of the economic impact statement. It is important that the public and the Congress know what the economic impact of any given piece of legislation which this Administration sends to Congress is. OMB sent out a circular in January indicating that the departments and agencies were given until March 3 to decide on their guidelines. Some departments are better equipped to handle economic analysis than are others. Some have that economic capacity within their departments while others, historically, have not had that particular influence or discipline.

The Director did indicate that Agriculture, Commerce, and Treasury all got their guidelines in early and have been doing an excellent job of developing economic impact statements. Other departments, however, have been much slower to react and develop those guidelines. In the Director's judgement, it needs to be an executive decision brought to bear on each of the department heads. That person then must take the leadership role in being certain that his staff knows that the statements are to be prepared. They should be followed and someone who can be relatively objective, will have to see to it that these are developed for every single piece of legislation.

Secretary Schlesinger: The Secretary indicated that they need additional guidance as to where it applies and where it does not, where these guidelines are to be emphatic and where they are to be less structured. The Department of Defense believes that it should be given an exemption because everything that DOD submits goes through the normal budget process. If the budget process is used, should that not qualify DOD and other departments for an exemption to the economic impact statement?

The President: Generally some departments are better equipped to handle this analysis than are others and granted there are probably some logical and specific exemptions that we should look at, however, no department should be totally exempt from preparation of economic statements. There are areas where even DOD must make impact statements. Just because inflation has gone from some 13+ percent on an annualized basis, down to about 7.3 percent, we aren't off scot-free. This Administration must keep up the fight against inflation. It could rear its head down the road in six to eight months, and unless we have protected ourselves in the preparation of this, we will be held accountable by the public. The Administration simply cannot, six months or a year from now, find itself defending its inability to produce a statement which an Executive Order indicated should be given. "So, Jim (Schlesinger), what I can say to you is that I am happy to talk to you about it privately, that we will be fair, but that we will be firm about economic impact statements being prepared."

Secretary Weinberger: The Secretary indicated that they established guidelines that took some time to develop, but they found them very helpful. The follow-up on them is very good and the reception by the Congress on the impact statement was excellent.

Director Lynn: It is important to know that just a lick and a promise won't do. There has to be more substance to that and better follow-up. The press will tear us apart if we are superficial or if they find that there is a superficiality to this Executive Order which you have given. We need hard guidelines and criteria and there must be adequate follow-up within each agency.



The President: I understand that there have been some problems in appearances before the Senate Budget Committee. Jim Schlesinger and Jim Lynn have had experience with the Committee, and I would like to ask for their observations after Jack Marsh has had an opportunity to explain.

Jack Marsh: There has been an attempt by Senator Muskie to establish new guidelines and new methodology in developing witnesses. His desire has been to go to a seminar type approach, almost a talk show technique. In talking with witnesses about budget items and about programs, they have attempted to mingle Administration and outside witnesses. When you go into the committee you are confronted with an outside expert who can test and probe you. If you have any doubts about whether or not you should appear, please check with 'Max or me' and we will be glad to assist you in this. It is very difficult for a Cabinet officer, even more difficult for a sub-Cabinet officer, to go up anticipating a traditional committee format and then suddenly find himself being challenged by an outside expert.

Jim Schlesinger: The Secretary mentioned he had some experience with this since he was scheduled to go up to appear with Warnecke. It's the Secretary's feeling that the President's budget should be presented to the Congress by the Cabinet officer responsible. An executive agency should not be treated as just another pressure group. This format seems to be an attempt to indicate that the Executive Branch is in the same category with the Navy League or the Women's Political Caucus or any other of a number of pressure groups which might testify on the Hill. The principal responsibility, or one of the principal responsibilities, given to a Cabinet officer by his President, is to present the budget for his department and offer testimony to that fact in a confrontation with committee members only.

Secretary Weinberger: Along that line, HEW has had several invitations and has declined them all. Two have been relative to the budget and one on a specific program item, but feeling is that it becomes a show and not the kind of thing in which the department wants to participate.

The President: The Budget Committee is not the forum for the tough questions anyway. The Sub-Committee really is the place where the experts are prepared to handle the tough questioning. The members on the Budget Committee don't prepare themselves adequately or won't take the time to prepare themselves to become experts, they are using the outside witness as their expert and it appears that they aren't doing their homework. It's the President's feeling that you should not participate in the Budget Committee as the current format indicates and as you have indicated here today. Jack Marsh and Jim Connor will prepare a letter to be sent under the President's signature so instructing you.



Agreement has been reached on the Tax Bill. "I might point out that some of the provisions of the Tax Bill make it an irresponsible act. It is very important to the country, and we will spend considerable hours determining what course of action to take."

"In closing, I would like to say that we have lots of talent in this Cabinet. There are many issues which crosscut departments, which are broad in nature and effect the government generally. For instance, Dr. Levi has a strong background in education. Carla Hills, in the legal area, and many of the rest of you have talent and can contribute, far beyond your particular agency and your involvement in that agency. We will be discussing this at future Cabinet Meetings and I have asked Jim Connor to get together with each one of you to have some ideas developed about where this might take us, where we can go.

If there is nothing further, then thank you for coming and we will see all of you soon."

