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HR 12040  
L Amend Sec Ex Act 634 to  
prevent foreign control of  
vital industries

# REVERSE INVESTMENT

## Increasing Congressional Activities

Am 30:11

~~We expect two~~ <sup>more</sup> ~~will~~ <sup>were</sup> bills to be introduced by the end of today -- one by Senator Inouye with respect to improving the data base and one by Representative Moss relating to **FI** in defense and energy. In addition Senator Huddleston introduced and the Senate approved an amendment to the Energy Act requiring the new energy agency to obtain information about the extent of foreign control on energy facilities. ~~Next~~ <sup>lastly</sup>, Representative Culver introduced a sense of the House Resolution asking the Administration to develop a policy towards foreign investment.

S 2840-Thursday

Defense  
Energy

This week

Hearings  
Fixed up

Senator Inouye is planning hearings in Hawaii later this month; Senator Stevenson has scheduled hearings the third week of January; Representative Culver intends hearings the next week in January or the first week in February; and Representative Moss intends hearings in early February.

## Guidance for Administration Witnesses

present  
and Admin point  
to review our  
current  
policy

Because of this <sup>Congressional</sup> activity, the working group felt it was desirable to obtain Council guidance on the approach Administration witnesses should take in such hearings.

~~In short,~~ The working group concluded that foreign investment in the U.S. is not a problem but more a popular issue. It is such a small percentage of investment



Any more to  
restrict would  
be protectionist  
sentiment in long  
run. Especially  
dangerous in light of  
the energy problem  
which would trigger  
nationalistic  
politics  
a bad  
idea.

in the U.S. that it has no significant economic effects there-

fore we should not let a few protectionist or nationalistic

Congressmen force us to act on this issue <sup>in a way</sup> which could

have severe adverse effects on other aspects of our inter-

national economic policy. Accordingly the working group

suggests that Administration witnesses <sup>resist</sup> ~~make~~ all Congressional

attempts to restrict foreign investment and urge a

continuation of our open door policy while improving data base on FDI.

#### Working Group Activities

In reaching this conclusion the working group

evaluated a number of options including granting incentives,  
outright prohibition, and screening <sup>similar to the recent Canadian proposals.</sup> The group concluded

that we should <sup>(1)</sup> maintain a basically neutral policy of

minimal government <sup>interference</sup> ~~transference~~ except where regulation

was essential for national security reasons <sup>(2) freely admit</sup> and that

foreign investors ~~should be freely admitted~~ and

<sup>(3)</sup> treated on the basis of equality with domestic investors.

Therefore, the group concluded no change in our policy

is necessary — <sup>except to review existing restrictions to insure that they are still justified.</sup>

#### Areas for Further Investigation

The review <sup>Suggested</sup> ~~would suggest~~ a number of areas for

further investigation including:

1. improve the data base
2. land ownership;
3. federal/state relationships;
4. consideration of removal of restrictions.

5. Should we encourage (or discourage) in certain sectors foreign capital needs (or not a energy sec)?

6. Effect of recent energy sit on FI in U.S.





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STATUS REPORT ON INTERNATIONAL  
INVESTMENT MATTERS

1. Preparation of a Statement on Overall U.S. Policy on  
International Investment:

With the help of the various agencies and departments concerned with investment matters, CIEP is working on a statement of overall U.S. policy on international investment which will be presented to the Council for consideration in February. Since June of this year, a number of relatively narrow issues have been considered as background or inputs for the broader policy statement. Among the issues examined are (a) the problems of foreign investment in the U.S.; (b) the trade distorting effects of investment incentives; (c) the nature and extent of the reservations to the OECD Capital Code; (d) foreign restrictions on direct investment; (e) the domestic effects of international investment; (f) the extraterritorial application of laws affecting U.S. subsidiaries abroad; and (g) various issues relating to multinational corporations. The work in these areas has now progressed to a point where it will be combined into a draft statement on overall U.S. policy toward international investment.

2. Foreign Direct Investment In the U.S. ("FDI")

A CIEP Interagency Working Group has considered a number of issues relating to FDI. Because of the announced Congressional hearings on the subject, the group has drafted a statement of general guidance for Administration witnesses which has been submitted to the Council for approval. (Agenda Item 1 - C). In addition the Working Group is continuing its work in a number of areas, including:

1. Development of programs for better data collection and economic analysis to provide a sound basis for a continuing policy review of FDI;
2. Problems of (a) state restrictions on, or incentives to, FDI and (b) federal-state coordination;
3. A review of foreign ownership and exploitation of land and mineral resources in the U.S.; and
4. A review of the technology transfer implication of FDI.



3. OECD Activities Relating to International Investment and Multinational Corporations

International Investment. Since the Fall of 1972, the OECD Executive Committee in Special Session (hereinafter referred to as "XCSS") has been considering problems concerning international investment and multinational corporations (MNC's). Aided by a strong statement by Under Secretary Casey, the XCSS made concrete progress at its November 8-9, 1973 meeting. As a result a group of experts will meet on January 10-11, 1974 and will probably be asked to:

- (a) consider the type of consultation machinery which should be established in the OECD for investment matters; and
- (b) draft guidelines with respect to the concept of national treatment.

Multinational Corporations. The November XCSS meeting also agreed that experts should be asked to consider a number of issues related to MNC's. As a starting point, the experts would use the results of work already done by various OECD committees and working groups and would cooperate closely with BIAC and TUAC. The OECD Secretariat has submitted to the OECD Council for approval a work program in which various OECD Committees would be asked to submit to the Council by July 31, 1974 reports (along with suggestions for guidelines) in the following areas:

- (a) Improvement of information and improved exchange of information on the activities of multinational enterprises.
- (b) The role of multinational enterprises with respect to disequilibrating short-term capital movements.
- (c) Internal transactions and marketing policies of multinational enterprises and their impact on competition, national economies and trade.

✓ List of Activities re MNC's



- (d) Evaluation of the extent of, and examination of possible solutions to, taxation problems related to the activities of multinational enterprises, in particular as regards transfer pricing, use of tax havens and investment incentives.
- (e) Impact of multinational enterprises on industrial relations, employment (in both home and host countries) and wages (in host countries).
- (f) Technological transfer through multinational enterprises and its impact on the national scientific and technological potential, as well as on other factors such as employment and trade.

After receipt of the suggestions of the various committees next July, the OECD Secretariat plans to convene a series of meetings of government experts to discuss the feasibility of setting up guidelines for MNC's.

CIEP OECD Working Group. The CIEP Working Group on the OECD Investment Exercise is considering (a) alternative types of consultation procedures and (b) various aspects of the concept of national treatment in preparation for the January 10-11, 1974 experts meeting. In addition, the working group is coordinating various agency MNC activities to (a) prepare a U.S. position on the OECD work on MNCs and (b) develop a consistent Administration position on specific MNC issues as they arise in other contexts.

*State Department wants a more positive attitude  
toward MNC's*





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OFFICE OF THE SPECIAL REPRESENTATIVE  
FOR TRADE NEGOTIATIONS

EXECUTIVE OFFICE OF THE PRESIDENT  
WASHINGTON  
20506

TRADE NEGOTIATIONS COMMITTEE STATUS

Since the Tokyo meeting there has been one meeting of the Trade Negotiations Committee (TNC). At this meeting in October, no agreement was reached on the structure of the working bodies, or their mandates, and it was therefore impossible to proceed with substantive work.

The failure to reach agreement was based upon the European Community's refusal to proceed without agreement by the U.S. that there be a single, separate body to deal with all agricultural matters. This EC position was in turn based upon an 8 to 1 internal position, with France being rigid and the other eight EC members somewhat flexible.

In this context Director-General Long proposed that we begin work with the TNC meeting as a committee of the whole, at the technical level, and proceed with analysis of the issues outlined in the Tokyo Ministerial Declaration, with special reference to the specific issues outlined in paragraph 3. All countries, including the U.S., supported this approach but the EC refused to go along.

The matter was raised by Secretary Shultz and others when Sir Christopher Soames visited Washington at the beginning of November. Nonetheless, the impasse remains. There has been a little progress. Mr. Brungart of the STR Office has had several conversations with Mr. Hijzen of the EC Commission to resolve the question. It has been agreed that an agenda be worked out for six months' work; that the TNC prepare a report in June 1974 of where things stand; and that the EC might make a statement of some kind for the record that would cover its position, but would offer the U.S. and others assurances that agriculture would not be treated as self-balancing in the overall negotiation, but instead commit the EC to the view that agricultural changes in the MTN would be weighed in the context of overall results.

This US-Hijzen formulation was discussed by the EC Committee 113 on Wednesday, December 12. The vote was again 8 to 1, and the French made it clear that their opposition was related to "other political matters" as well as to agricultural trade considerations.

The 113 Committee will meet again on Friday, December 21, to attempt to resolve the issues. The U.S. in the meantime is encouraging the calling of a TNC meeting in mid-January.



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CURRENT CIEP STUDIES AND ACTIVITIES

A. International Investment Issues

Development of an overall U.S. Policy statement on International Investment. Target date - February 1974.  
The following studies represent inputs to this overall effort:

Study	Staff	Status/Completion Target
1. <u>OECD Investment Exercise</u>  Coordinating U.S. position re various investment and MNC issues arising out of OECD and XCSS work -- study parallels OECD work in this area.	Niehuss/Rose Lenz/Garten	Next OECD Staff Meeting and Executive Committee Meeting
2. <u>Foreign Investment (CIEPSM 26)</u>  Assessing problems and impact of reverse investment with aim of making policy recommendations. Working on draft policy statement. Working group's recommendations presented to CIEP December 18.	Niehuss/Rose Lenz/Garten/Aho	Summary Report - Jan. 15, 1974
3. <u>Foreign restrictions on Direct Investment</u>	Niehuss	Completed study results being reviewed for incorporation into overall investment policy
4. <u>Reservations to OECD Capital Movements Code</u>	Niehuss	(Same as #3 above)
5. <u>Domestic Effects of U.S. Foreign Investments</u>	Niehuss	(Same as #3 above)



B. International Trade

CIEP efforts in this area include policy responsibility for the Trade Reform Act of 1973, development of USG positions for GATT Article 24:6 negotiations, and development of U.S. policy for multilateral trade negotiations. (See STR Action Inventory)

Study	Staff	Status/Completion Target
1. <u>Export Expansion Programs</u> (Commerce has lead)  White House responsibility for the President's Conference on Export Expansion held October 11, 1973. Participation in the President's Inter-agency Committee on Export Expansion, review of USG programs for export promotion.	Niehuss/Lenz	Continuing study
2. <u>East-West Trade Policy Committee</u> (Treasury has lead)  Development of U.S. policy for East-West trade, review of specific trade issues and negotiations.	Morris/Evans Weiss	Continuing study
3. <u>Canada: Auto Agreement and DPSA</u>  Negotiations with Canada concerning changes in the U.S. -Canada auto agreement, with new "safeguard" formula to replace the current Canadian arrangement. Changes to restore balance in Defense Production Sharing Agreement. Papers on both issues will be circulated for further discussion in SRG.	Morris/Evans	January 1974
4. <u>Export Promotion Study</u> (OMB has lead)  Interagency survey of export history, projections and programs for promotion of future exports.	Lenz	July 1974





C. International Money and Capital Markets Issues

Study	Staff	Status/Completion Target
1. <u>International Financial Markets</u>  Develop a program for revising Federal Government regulations which have tended to move the international financial market out of the U.S. Presently preparing specific regulatory and legislative proposals.	Erb/Safir	January 1974
2. <u>Inflation Comparison Study</u>  Improve available price index data for evaluating impact of price movements on trade among countries.	Erb/Safir	Two parts of project complete - third underway
3. <u>NAC Studies</u> (NAC has lead)  Ongoing work of NAC re export finances, etc.	Erb/Safir	Continuing study
4. <u>International Financial Institutions and Transactions</u>  Monitor development of USG policies regarding IMF, CCC, Ex-Im Bank, etc.	Erb/Safir	Continuing study
5. <u>International Monetary Reform</u> (Volcker group has lead)  Further development of U.S. position regarding BOP adjustment indicators, capital flows and controls, exchange rate mechanisms, management of central bank reserve refunds, consolidations.	Erb	Continuing study





#### D. Economic Development and Foreign Aid

Development of policy statements on U.S. economic programs for less developed countries, with particular attention to bilateral and multilateral assistance programs, developed for the President's FY 75 message on bilateral aid.

Study	Staff	Status/Completion Target
1. <u>Foreign Economic and Development Study</u>  Evaluation and redesign of U.S. foreign assistance programs and cohesive U.S. economic policy toward LDCs. SRG review held on October 26, 1973. Further work in process.	Sternfeld/Rosen	Mid-January 1974
2. <u>OPIC</u>  Review of OPIC policy objectives and alternative approaches to privatization.	Sternfeld/Rosen	End of February 1974

#### E. Agricultural Issues

1. <u>U.S. Policy on National and International Stocks of Agricultural Commodities (CIEPSM 30)</u>  Evaluate alternative proposals for creating, holding and use of agricultural stocks in commercial trade. To assist in forming U.S. positions in the WFC and MTN.	Morris/Wood	January 15, 1974
2. <u>Long Term Supply Contracts for Agricultural Exports</u>  Study to consider specific options for encouraging private long term contracts.	Morris/Wood	Study request to USDA due January 15, 1974



E. Agricultural Issues (Continued)

Study	Staff	Status/Completion Target
3. <u>Agricultural Programs for LDC's (CIEPSM 31)</u> (OMB has lead)  Evaluate policy and program options for future food aid to LDC's. For use in developing future U.S. policy on PL 480 and CCC positions to take to the WFC and MTN.	Morris/Wood	March 31, 1974 (Interim - February 15, 1974)
4. <u>Sugar Policy (CIEPSM 28)</u>  Study to develop options for new U.S. sugar policy in preparation for new sugar legislation in 1974. Group meets weekly - uses consultants.	Morris/Wood	Late December
5. <u>World Supply/Demand for Agricultural Commodities</u> (OMB has lead)  Determine long term outlook for world food situation and U.S. policy implications. Review agriculture commodities export situation and export control mechanisms on continuing basis.	Morris/Wood	April 15, 1974
6. <u>U.S. Supply/Demand in Agriculture</u> (DC has lead)  Review domestic agricultural situation to determine need for any new general agricultural legislation.	Wood	December 31, 1973
7. <u>Domestic and International Agriculture Statistics</u> (CEA has lead)  Determine how to improve USDA's data on agriculture. Study underway.	Wood	December 31, 1973



E. Agricultural Issues (Continued)

Study	Staff	Status/Completion Target
8. <u>Agriculture-Foreign Agricultural Estimates</u> (NSC has lead)  Determine shortcoming of current foreign agriculture estimates and ways to improve them. Study underway.	Wood/Weiss	December 31, 1973
9. <u>Import/Export policy for particular goods and products:</u> <u>Dairy products, mushrooms, etc.</u>	Morris/Wood	Continuing study
10. <u>PL 480 and CCC Programs</u> (OMB has lead)  Quarterly allocation decisions on these programs.	Sternfeld/Wood	Quarterly
11. <u>World Food Conference</u> (State has lead)	Morris/Wood	Mid-1974
<u>F. Non-Agricultural Products</u>	Niehuss	Continuing study

Ad hoc review of export/import aspects of particular goods and materials. Examples currently being monitored include shoes, steel scrap and ball bearings.

G. Science and Technology

Study	Staff	Status/Completion Target
1. <u>U.S. -Foreign Hardware Sales and Technology</u> <u>Transfers - R&amp;D Recoupment Policy (CIEPSM 27)</u>	Rose/Hale	December 17, 1973

Identify major policy issues relating to R&D re-coupment on technology transfers. Memo sent from PMF for Agency positions.



G. Science and Technology (Continued)

Study	Staff	Status/Completion Target
2. <u>BRINCO (CIEPSM 29)</u>  Review of Canadian company request for U. S. gaseous diffusion technology.	Morris/Rose Hale	Options paper for next OECD meeting in preparation.
3. <u>Computer Study (CIEPSM 25)</u>	Weiss	December 1973
4. <u>Technology Transfer to the Soviet Union through Scientific and Commercial Channels</u>  CIEP informal review of means to monitor advanced technology transfer.	Weiss/Evans	Study just started - No target date
5. <u>Patent Protection in USSR</u>  Examination of Texas Instrument proposal for negotiations of bilateral agreement with USSR on protection of unregistered high technology patents.	Evans/Niehuss	January 1974
6. <u>Review of Launch and Transfer of Space Policy Technology (NSC/USC have lead)</u>  This project just started.	Weiss	December 20, 1973
7. <u>Reactor Sales to PRC</u> (State has lead)  Issues regarding sales of nuclear reactor to PRC. Initial stages.	Hale	December 1973



## H. Policy toward Foreign Expropriation of U.S. Assets

Study	Staff	Status/Completion Target
1. <u>USG negotiations with Peru concerning settlement of claims concerning expropriated properties.</u>	Sternfeld/Rosen	Early January
2. <u>CIEP Expropriation Committee (NSSM 131)</u>  State chaired - ad hoc examination of expropriation and USG response.	Rosen	Continuing study

## I. International Aspects of Energy

Study	Staff	Status/Completion Target
1. <u>Soviet LNG Economic Study</u>  Update and consolidate information on Soviet LNG projects to reach a summary economic judgment. Working on energy price task and project cost tasks.	Rose/Erb Hale/Safir	January 1, 1974
2. <u>Sales of Soviet enriched uranium to U.S. and Third Countries</u> (State has lead)  Review of U.S. policy toward purchase of Soviet enriched uranium.	Hale	Memo to President complete 11/31/73
3. <u>PRC Petroleum Study</u> (USC-NSC have lead)  NSC Under Secretaries Committee study of U.S. sales of oil equipment and technology to the PRC.	Hale/Evans	Final draft completed 6/30/73
4. <u>OECD Oil Sharing</u> (NSC has lead)  Issues and options for emergency oil sharing in OECD.	Rose/Hale	Options paper for next OECD meeting in preparation





## J. International Economic Information

Study	Staff	Status/Completion Target
1. <u>International Economic Report of the President</u>  The preparation of the "International Economic Report of the President", composed largely of the Annual Report of the CIEP, requires participation of several Executive Branch Departments and agencies under CIEP staff management. Required by Congress, the Report presents analysis of the U.S. international economic position and policy proposals.	Hawley/Zabludoff	Mid-January 1974
2. <u>CIEP Quarterly International Economic Review</u>  Evaluate recent and near term foreign economic developments and draw implications for the U.S. economy, with special reference to U.S. trade and price movements.	Erb/Zabludoff	Quarterly
3. <u>Economic Information and Analysis</u>  Improve information gathering system of Executive Branch.	Hawley/Zabludoff	Preliminary proposal being drafted

## K. General Foreign Economic Relations

Study	Staff	Status/Completion Target
1. <u>Law of the Sea</u> (State has lead)	Hale	January 1974
2. <u>NATO Balance of Payments (NSSM 170)</u> (NSC has lead)  NSC study of the offset problem - NSOM issued - Implementation being discussed.	Weiss	Continuing study



K. General Foreign Economic Relations (Continued)

<u>Study</u>	<u>Staff</u>	<u>Status/Completion Target</u>
3. <u>NSSM 72 (State - NSC have lead)</u>  Study of earth resources, satellites and associated issues.	Weiss	Continuing study
4. <u>End Use Information Study (NSC has lead)</u>  Review of practicality of U.S. export control policy on end-use requirements to Communist countries - study completed in June.	Evans	Memo to President prepare awaiting HAK signature
5. <u>U.S. Policy on International Airline Operation</u>  Ongoing review of U.S. and foreign government policies regarding international carriers.	Niehuss	Continuing study



COUNCIL ON INTERNATIONAL ECONOMIC POLICY

Blake wants the  
Dec. 73 memo like this  
as soon as possible.



Nichols 26

COUNCIL ON INTERNATIONAL ECONOMIC POLICY  
WASHINGTON, D.C. 20500

December 28, 1973

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MEMORANDUM FOR THE RECORD

SUBJECT: Summary Minutes of CIEP Executive  
Committee Meeting, December 21, 1973

ATTENDEES: List Attached

I. Textile Agreement

Mr. Flanigan reported that the all-fiber multilateral textile agreement had been agreed to by the negotiators the previous day. It was decided that Ambassador Pearce would coordinate with Secretary Dent to notify key Congressional leaders and brief them on it.

II. Article XXIV:6 Negotiations with the EC

Ambassador Eberle discussed the background of these negotiations and the immediate issues. These included the problem of establishing the extent of our rights under GATT and the prospects for reaching mutually satisfactory agreements on the major products which were of interest to us. Ambassador Eberle was relatively optimistic that we could reach acceptable agreements or understandings concerning paper, citrus, and cereals. The prospects on other key products were at best doubtful.

Ambassador Eberle passed around an illustrative list of items for which we could consider making compensatory concession withdrawals if that were necessary. He said that this particular list is composed mainly of luxury goods and had been chosen in order to minimize the effect of tariff rate increases on the cost of living. A much longer list of products in which the EC supplies 70% or more of the U.S. market is available. However, most of these items are such that tariff increases could have potentially serious inflationary effects.

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E.O. 12958, SEC. 3.5  
NSC MEMO, 11/24/98, STATE DEPT. GUIDELINES  
BY W NARA DATE 9/6/05





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He identified the options as:

- (1) Live with the EC offer and move into the MTN to try to bargain on items of importance to us in the context of the larger negotiations.
- (2) Terminate the negotiations and institute withdrawal procedures immediately.
- (3) Continue the negotiations; see how far we can get and if we can't settle satisfactorily, be prepared to withdraw concessions by May of 1974.

In connection with the latter, Ambassador Eberle discussed a proposed negotiating scenario based on the need for a Presidential decision on specific concession withdrawals not later than May 25. Working backwards, there would be a need to open public hearings on a list by mid-February and this required the beginning of an intensive negotiating effort with the EC no later than mid-January.

The Committee discussed the desirability of developing a "hard core" list of products on which EC concessions would be essential to the settlement of these negotiations. Such a list would be smaller than the list of 23 items which now make up our formal request list. Ambassador Eberle stated his view that it was necessary to continue with the list of 23 items for the moment and to move to a smaller hard core as the tactical situation develops. Before settling on a final hard core list, Ambassador Eberle said that he would return to the CIEP Executive Committee with his recommendations. However, he would not discuss those recommendations at the interagency staff level. Secretary Butz said that, if we can get a satisfactory deal on paper, citrus, and cereals, we should take it.

Secretary Shultz summarized the consensus of the discussion as follows: We are generally agreed on the need to proceed along the lines of Option 3; that the question of when to move to a hard core list appeared to be tactical and that the concerns expressed by some members of the Committee as to when this should be done would be born in mind by Ambassador Eberle. It was also agreed to forward the Committee's recommendations to the President to get his approval to the proposals embodied in Option 3.

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### III. Trade Bill

Mr. Flanigan identified the main issue as the extent to which we accept the changes in our bill made by the House as we move into our presentation in the Senate. He noted that Ambassador Pearce's discussion paper identified three categories into which the extent to which we should press for changes in the House bill would fall. In addition to the items identified in that paper, Mr. Flanigan said that we should add tariff negotiating authority as a matter on which we might seek to get Senate support for the original Administration proposal. (Although it was not mentioned we would also seek Senate changes of the provisions in the House bill by which the Congress is seeking to legislate the way in which the President organizes his executive office.)

Ambassador Pearce identified two main areas as "must" changes: Title IV and the section in the House bill concerning countervailing duties. Mr. Flanigan said that he would amend the paper's discussion on Title IV to read that we must either get an acceptable compromise out of the Senate on emigration policies or remove the Title entirely from the bill. Ambassador Pearce said he would review the tactical handling of this matter again in the interagency steering committee. As regards the way in which we handle countervailing duties and negotiating authority, Ambassador Pearce said that the main issue is how to protect adequate flexibility and avoid having the Senate move us even further away from an acceptable position. He regarded this as a tactical matter as we move through the Finance Committee mark-up process.

Moving to the next set of desirable changes, the Committee discussed our posture in the Senate as regards trade adjustment assistance. After some discussion, Secretary Shultz said that if we are going to have to accept a trade adjustment assistance program along the lines developed by the House, its financing would have to be improved as discussed in the Pearce paper, i.e., by limiting the federal financing to the difference between what workers would receive from state unemployment compensation programs and the additional levels provided for in the House. However, he said that we should still call the Finance Committee's attention to our original proposal as a better way of dealing with the problem of employment dislocation caused by imports and do our best to convince the Committee that this would be a preferable alternative. Ambassador Pearce agreed to make such an effort.

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Secretary Dent expressed his view that we need a much more highly organized effort to convince not only the Finance Committee but the Senate as a whole that Title IV is unacceptable and to work hard to get an acceptable compromise. Mr. Flanigan said that we are now developing a strategy on this which is broader than that indicated in Ambassador Pearce's paper and that we will be discussing it further as we go along. With the amendments as discussed above, Secretary Shultz said that the Pearce paper was approved.

IV. GATT Trade Negotiating Committee

Ambassador Malmgren reported on the efforts we have been making in Geneva to get the work of the Trade Negotiating Committee under way. The main problem was the EC's insistence that agricultural matters would only be discussed in a special agricultural committee and not in any other committee of the TNC. He noted that the EC Commission was trying to develop an acceptable compromise formula with us according to which the EC would make some kind of statement to the effect that, while the work would be generally separate, the final outcome would have to include agriculture as part of the overall balance in the negotiations. So far, the French have been the major obstacle and their problem is largely political rather than economic. He reported that the French are trying to work out some agreement at the ministerial level within the French Government and that we will have to see how that process develops. There will be another effort made at the TNC level in January to try to get the negotiations under way.

V. International Investment

A. Foreign Investment in the U.S.

Mr. Flanigan noted that a number of hearings had been scheduled by various Congressional committees on foreign investment in the U.S. and that a CIEP working group had developed an outline of a suggested approach for Administration witnesses for approval by the Committee. Mr. Niehuss reported that three bills relating to foreign investment in the U.S. had already been introduced and that

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hearings were scheduled or contemplated by four different committees early next year. He noted that the CIEP inter-agency working group had suggested that Administration witnesses state that U.S. policy was to (a) continue to freely admit foreign investment into the U.S. and to treat foreign investors on the basis of equality with domestic investors once they were operating in the U.S.; (b) work towards the development of a better data base with respect to foreign investment in the U.S.; and (c) review existing restrictions on foreign investment in the U.S. to see if they were still needed. There was no discussion or objection and it was agreed to accept the working group's suggested policy for Administration witnesses.

B. Status Report on International Investment Matters

Mr. Flanigan pointed out that the CIEP staff was working on a statement of overall U.S. policy on international investment to be presented to the Council for its consideration. Mr. Niehuss reported on the status of activities relating to international investment and multinational corporations within the OECD and noted that a CIEP working group was beginning to focus on specific issues relating to multinational corporations.

VI. International Money and Capital Markets

Mr. Erb reported that the work group has concentrated on the impact of bank regulations on money markets competition and that proposals are being refined covering foreign bank regulations in the United States and interest ceiling and reserve requirement regulations as they apply to foreign deposits. Concerning control of foreign bank operations in the United States, there are two possible approaches. One method would subject foreign banks to special federal regulations; the other method would deal with the advantages and disadvantages of foreign banks through specific legislation without creating a special regulatory authority for foreign banks.

The work group is also developing a proposal which would allow banks located in the United States to open a foreign window through which they could borrow from and lend to non-residents without being subject to reserve requirements or interest rate ceilings.

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These proposals will be completed for CIEP decision by the end of January, 1974.

In January, the work group will begin to examine U.S. regulations as they affect competition in the international capital markets.

VII. Peru

Mr. Sternfeld reported on the status of our negotiations with Peru concerning an agreement to provide compensation for expropriated American property. While unresolved problems remain concerning the wording of the agreement, he was fairly optimistic that these negotiations would reach an acceptable conclusion during January.

VIII. Canada

Mr. Flanigan noted that we had yet to respond formally to the Canadian proposals, advanced last August, for changes in the Defense Production Sharing Agreement (DPSA) and in the safeguards for the Auto Agreement. We appear to have reached inter-agency agreement on the DPSA, but are still awaiting papers from State and Treasury on auto safeguards. Mr. Casey and Mr. Volcker said a common position had been worked out and a new paper would be sent to Mr. Flanigan shortly.

IX. Sugar

Mr. Flanigan called attention to the fact that the House would begin work on new sugar legislation early in February. An inter-agency study group had about completed its work on alternatives for an Administration position. A paper would be circulated early in January and the CIEP Executive Committee would be convened shortly thereafter to decide what position we should take on legislation. He asked that members brief themselves through their staffs on this work.

X. Jamaican Expropriation of Bauxite Industry

Mr. Flanigan called the Committee's attention to a report alleging Jamaica's intention to nationalize the bauxite-aluminum

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industry. Virtually all of this investment is insured by OPIC and, if claims were presented in the full amount it would use up all of OPIC's resources. It was agreed that we would have to work to head off this possibility. Mr. Flanigan immediately would convene a working group to determine our next steps.

Peter M. Flanigan  
Executive Director

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Treasury Department

Honorable George P. Shultz, Secretary  
Under Secretary Paul A. Volcker  
Ronald B. Brooks

STR

Ambassador William D. Eberle  
Ambassador Harald B. Malmgren  
Ambassador William R. Pearce  
Mr. Herbert Propps

Department of Commerce

Honorable Frederick B. Dent, Secretary  
Deputy Assistant Secretary Lawrence Fox

Department of Agriculture

Honorable Earl L. Butz, Secretary  
Mr. Richard J. Goodman

NSC

Mr. Charles Cooper

CEP

Mr. Kenneth W. Dam

Department of State

Under Secretary William J. Casey  
Deputy Assistant Secretary John C. Renner

CEA

Honorable Herbert Stein, Chairman

OMB

Mr. Dolph Bridgewater, Assistant Director

CIEP

Honorable Peter M. Flanigan, Executive Director  
Mr. Deane R. Hinton, Deputy Director  
Mr. Robert J. Morris  
Mr. Edward R. Jayne  
Mr. Reuben Sternfeld  
Mr. John Niehuss  
Mr. Richard Erb

