

# Foreign Economic Policy

## 348. Editorial Note

This compilation presents documentation on three issues: 1) the dispute during 1969 over whether the Office of the Special Representative for Trade Negotiations should be transferred to the Department of Commerce or remain in the White House; 2) the conflict between the Department of State and the Department of Commerce over control of U.S. foreign economic and commercial functions; and 3) the establishment in January 1971 of the Council on International Economic Policy (CIEP) in the Executive Office of the President. For comprehensive documentation on foreign economic policy, including the operation of the CIEP once it was established and the Nixon administration's efforts to restructure the foreign assistance program, see *Foreign Relations, 1969–1976*, volume III, Foreign Economic Policy, 1969–1972; *International Monetary Policy, 1969–1972*; and *ibid.*, volume IV, Foreign Assistance, International Development, Trade Policies, 1969–1972.

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## 349. Action Memorandum From C. Fred Bergsten of the Operations Staff, National Security Council to the President's Assistant for National Security Affairs (Kissinger)<sup>1</sup>

Washington, February 18, 1969.

### SUBJECT

Administration of U.S. Trade Policy

Reports have reached me from usually reliable sources that: (1) The President has asked the Secretary of Commerce to handle U.S. trade policy; and (2) the President has asked the Secretary of Commerce to visit Europe in April to discuss trade matters as a follow-up to his own trip next week.

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, NSC Files, Subject Files, Box 403, Office of the Special Trade Representative. Limited Official Use.

Administration of U.S. trade policy is one of the major issues under consideration in the Trade Policy Study ordered by NSSM 16.<sup>2</sup> Precipitate decisions on the issue would undermine that Study.

In addition, designation of the Secretary of Commerce as our principle trade representative could seriously damage our relations with Europe. It would strongly imply a protective approach completely inconsistent with the President's statement on February 6<sup>3</sup> in favor of a liberal trade policy. It would be particularly disastrous in view of the decision to press for restrictions on textile imports.

I therefore recommend that you take any opportunity to suggest to the President that precipitate decision on the management of U.S. trade policy could undermine his own policy statements. Any decisions on this matter should await the NSC review of U.S. trade policy.

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<sup>2</sup> For text, see *Foreign Relations, 1969–1976*, volume IV, Foreign Assistance, International Development, Trade Policies, 1969–1972, Document 182.

<sup>3</sup> Reference is to Nixon's statement at his press conference on February 6; for text, see *Public Papers: Nixon, 1969*, p. 74.

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### 353. Memorandum of Conversation<sup>1</sup>

Washington, March 12, 1969.

#### SUBJECT

Status of Economic Officers in the Department of State

During my call with John Irwin the President brought up the role and status of economic officers in the Service.<sup>2</sup> He wanted us to consider steps to enhance the status of our economic officers in the Department and particularly abroad. From his various travels abroad he had the impression that Embassy economic officers were low on the totem pole. This was a serious mistake. He contrasted the relatively

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<sup>1</sup> Source: National Archives, RG 59, Central Files 1967–69, PER 1. No classification marking. Drafted by Richardson on March 14. Copies were sent to Rogers, Pedersen, Samuels, Greenwald, Rimestad, and Hastings.

<sup>2</sup> The President met with Richardson and Irwin from 4:22 to 5:05 p.m. on March 12. (Ibid., Nixon Presidential Materials, White House Central Files, President's Daily Diary)

low estate of the Economic Counselor and other economic officers with the status and role of AID Administrators and other officials. In most cases the Economic Counselor has a much more important role than the AID Administrator and should at least be accorded the status and position given these AID officials.

I mentioned to the President that the American Foreign Service Association had made various recommendations for improving the economic side of the Department. We will be reviewing them and others so that we can come up in the near future with specific practical steps to improve and upgrade this area.<sup>3</sup>

**ELR**

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<sup>3</sup> During a March 17 telephone conversation, Richardson discussed Nixon's views on upgrading State's economic role with Nathaniel Samuels, whom Nixon appointed Deputy Under Secretary of State for Economic Affairs on March 28. (Notes of conversation; Library of Congress, Manuscript Division, Richardson Papers, Box 100, Personal)

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**351. Memorandum From C. Fred Bergsten of the Operations Staff, National Security Council to the President's Assistant for National Security Affairs (Kissinger)<sup>1</sup>**

Washington, March 18, 1969.

SUBJECT

Meeting at 5:00 p.m. Today on the Future of STR

A Cabinet-level meeting has just been called for 5:00 p.m. today to decide whether the Office of the Special Trade Representative will continue independently within the White House. The alternatives are to give it to Commerce as proposed to the President by Secretary Stans and vigorously opposed by State and others; to give it to State, which doesn't want it; or to abolish it altogether with the Departments left to battle for supremacy in the trade policy field. (Attached is the first draft of the NSSM 16 options paper on the subject.)<sup>2</sup>

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, NSC Files, Subject Files, Box 403, Office of the Special Trade Representative. Limited Official Use. Sent for action.

<sup>2</sup> The options paper is attached but not printed.

As I informed you in my memorandum of March 4,<sup>3</sup> vital substantive issues are involved in this ostensibly administrative question. The U.S. has traditionally viewed trade in a foreign policy framework, and hence State and the NSC staff, within the White House, have taken the lead. The creation of STR in 1962, however, was an effort—which has proved successful—to reconcile the foreign policy and domestic business viewpoints. Any further shift from our present organizational approach, especially toward Commerce Department control, would be interpreted abroad as a clear signal that the U.S. was going protectionist and would seriously endanger the credibility of the President's commitment to liberal trade policies.

Tremendous external pressures for a decision on the subject—mainly in favor of retaining an independent STR, and in response to Secretary Stans' attempted takeover—have developed in the past few weeks. Hence the earlier decision to await the result of our NSC trade study probably cannot be held.

Given the important foreign policy implications of the decision, particularly in view of the President's trip and the trade issues raised during it, the NSC should certainly be represented at today's meeting. (The meeting will be chaired by Ellsworth and attended by Stans, Richardson, Burns, Flanigan, and the Budget Bureau.) Ellsworth has agreed with his staff's recommendation that the NSC staff be invited but has limited the invitation to you personally.

*Recommendation*

That you attend the meeting at 5:00 p.m. personally, taking the position that STR should be continued as an independent agency within the White House; or

That you call Ellsworth and urge him to invite me to represent you at the meeting.<sup>4</sup>

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<sup>3</sup> For text, see *Foreign Relations, 1969–1976*, volume IV, Foreign Assistance, International Development, Trade Policies, 1969–1972, Document 186.

<sup>4</sup> A handwritten note at the top of page 1 reads: "Dr K did not attend meeting." Kissinger explained why in Document 352. Bergsten reported to Kissinger on the meeting in Document 353.

**352. Notes of Telephone Conversation Between the Under Secretary of State (Richardson) and the President's Assistant for National Security Affairs (Kissinger)<sup>1</sup>**

Washington, March 18, 1969.

HAK said he would not be attending the 5 p.m. meeting on STR. He felt he could be more useful if he didn't get involved in the matter personally; when it subsequently came to him for a recommendation to the President, he felt he could be more effective if he weren't present. He stated he couldn't sway Stans from his position even if he were present. HAK feels STR should stay in the White House and will so recommend to RMN; his major concern that it not end up in the Department which is principally concerned with domestic matters. He feels that if there is a strong point of view to either keep it in the White House or send it to State, he can make a helpful recommendation.

ELR replied that we only heard this morning just how far the matter had gone; agreed with how HAK proposed to handle it and stated that if it weren't to be kept in the White House, then it would be better in State than in Commerce.

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<sup>1</sup> Source: Library of Congress, Manuscript Division, Richardson Papers, Box 104, Telcons. No classification marking.

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**353. Memorandum From C. Fred Bergsten of the Operations Staff, National Security Council to the President's Assistant for National Security Affairs (Kissinger)<sup>1</sup>**

Washington, March 18, 1969.

SUBJECT

Future of STR

The participants in today's meeting on the future of STR<sup>2</sup> agreed to disagree. Secretary Stans' bid to move it into Commerce was supported

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, NSC Files, Subject Files, Box 403, Office of the Special Trade Representative. Limited Official Use. Sent for action. Printed from an unsigned copy.

<sup>2</sup> See Documents 351 and 352.

only by Peter Flanigan, essentially on the administrative ground of reducing the number of independent White House agencies.<sup>3</sup> Budget supported State's proposal that STR remain independent. Ellsworth and I took no position. Burns and McCracken did not make the meeting. Stans reported that Hardin and Labor were willing for Commerce to carry the trade ball for the U.S. Most of the outside groups have come out for continuation of an independent STR.

Ellsworth and the Budget Bureau will now prepare a memorandum for Presidential decision.<sup>4</sup> The agencies agreed that the basic issue was whether trade policy should be conducted completely independent of the rest of our foreign policy (Stans' position) or was intimately related to foreign policy (Richardson's position, which I might add was presented quite effectively). Other important, but secondary, issues are:

1. Budget's view that the "leader agency" concept did not work in practice and hence argued for independent White House leadership.
2. State's view (which I share strongly) that foreign *and* domestic reaction to absorption of STR by Commerce would cast serious doubt on the President's commitment to a liberal trade policy.
3. State and Budget's view that the legislative history, if not the law itself, made the shift highly dubious on Congressional grounds.
4. Commerce and Flanigan's view that the number of independent White House agencies should be reduced.

#### *Recommendation*

That you recommend to the President at the earliest opportunity that STR be continued as an independent office within the White House.

If he were to decide that it should be lodged in an existing agency, that you recommend that it be given to State.

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<sup>3</sup> Richardson discussed the meeting with Rogers during a March 18 telephone conversation. According to Richardson, "everyone seemed to be against the move except Stans and PF." (Notes of telephone conversation; Library of Congress, Manuscript Division, Richardson Papers, Box 104, Telcons)

<sup>4</sup> On March 19 Ellsworth sent the draft memorandum for Presidential decision to Richardson for his comments. (National Archives, RG 59, Executive Secretariat, General Files on NSC Matters, Box 16, NSC/Misc, March 1969) Richardson replied on March 22; see Document 355.

**354. Memorandum From Secretary of the Treasury Kennedy to the President's Assistant (Ellsworth)<sup>1</sup>**

Washington, March 21, 1969.

## SUBJECT

Office of the Special Representative for Trade Negotiations (STR)

I regret Treasury's views have not been included heretofore on the matter of where STR should be located. Not only the broad policy issues are matters of great concern to us but the administration of much of it is our statutory responsibility.

Treasury strongly holds the opinion that the continuation of the responsibility of the Office of the Special Representative for Trade Negotiations as a separate agency within the Executive Office of the President is of great importance to the furtherance of our liberal trade objectives.

—A liberal trade policy is fundamental to our broad financial objective of moving away from selective controls.

—Locating STR in any one agency would leave trade policy too exposed to the pressures concentrated in a department, be it State or Commerce.<sup>2</sup>

—The views of this Department and the views of other agencies are given more weight and balanced handling in the process of inter-departmental discussion on trade policy when the over-all responsibility is located in the Executive Office of the President.

**David M. Kennedy<sup>3</sup>**

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<sup>1</sup> Source: Washington National Records Center, RG 56, OSD Files, FRC 56 74 7, Secretary's Memos/Correspondence, 1966–1970: White House, Jan–Aug 1969. Limited Office Use. Drafted by Petty. A copy was sent to Mayo.

<sup>2</sup> In a March 19 memorandum to the President, Paul McCracken, Chairman of the Council of Economic Advisers, expressed his support for keeping STR in the Executive Office of the President. He argued, among other things, that Commerce had "often been unduly sensitive to industry pressures, especially from textiles," while State was "widely considered to be insufficiently responsive to our business interests." (National Archives, Nixon Presidential Materials, NSC Files, Subject Files, Box 403, Office of the Special Trade Representative)

<sup>3</sup> Printed from a copy that indicates Kennedy signed the original.

**355. Telegram From the Under Secretary of State (Richardson) to Secretary of State Rogers<sup>1</sup>**

Washington, March 22, 1969, 2104Z.

WH 9440/44766. From the Under Secretary. I am sending you our redraft, cleared by Samuels, of the Presidential memorandum on STR<sup>2</sup> which we have just returned to Bob Ellsworth. If you can find the opportunity, I think it would be useful to discuss this with the President, together with Henry Kissinger if you wish, during your current trip.<sup>3</sup>

March 22, 1969.

Issue for Presidential Decision: Should the Office of the Special Trade Representative be retained within the Executive Office of the President or placed under the jurisdiction of the Department of Commerce?

Whether foreign trade policy should be separated from the rest of foreign relations is a principal issue of disagreement. State favors retention of the office in the White House, while Commerce wants it to be moved to its jurisdiction. Treasury<sup>4</sup> and the Budget Bureau have directly submitted views supporting retention.

The arguments are summarized below.

Arguments for placing STR under commerce:

(1) Foreign trade policy should be separated from other aspects of international relations and should be placed within the jurisdiction of a department where it will receive primary attention.

(2) The Commerce Department is the most logical Department for the STR because of the Department's involvement with export expansion, foreign investment and domestic industry.

(3) There is a general advantage in reducing the number of independent offices which in theory report directly to the President, but to which in fact he can give little, if any, attention.

Arguments for retaining STR within the Executive Office of the President:

(1) Removal of the STR function from the White House, where it has gained recognition and stature for adherence to a policy of reciprocal

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, NSC Files, Subject Files, Box 403, Office of the Special Trade Representative. Confidential; Eyes Only. Rogers was with the President at San Clemente, California.

<sup>2</sup> See footnote 4, Document 353.

<sup>3</sup> No record of such a discussion has been found.

<sup>4</sup> See Document 354.

liberal trade, would be interpreted both in the US and abroad as indicating a retreat from this policy. This would be particularly true at a time when we shall be endeavoring to persuade foreign countries to agree to a voluntary restraint on textile exports to the United States. It also would tend to raise questions about the meaning of the President's position on trade policy stated in his recent press conferences and his trip to Europe.

(2) International trade policy is integrally related to our total monetary and financial, diplomatic, political and military effort, and is not separable for purposes of policy determination or negotiation. It would be difficult for a government department whose main responsibility necessarily lies in the domestic sphere to bring into consideration and focus the overall foreign policy considerations relating to trade.

(3) STR has no constituency of its own that limits its objectivity; it provides a mechanism for taking into account the diverse domestic and foreign policy interests that need to be weighed in determining the national interest; it gives trade policy and negotiations its full time; it has wide public and Congressional support; and it has a record of tough and effective negotiation.

(4) Congress recognized the need to have a representative independent of the regular departments to deal with trade matters. In 1962, the Senate Finance Committee noted: "The committee felt that the chairman, if he was chosen from one of the departments, would represent more the views of that department than the overall broader perspective represented by the Special Representative." This view was reaffirmed by Congressman Mills and Senator Long last fall in a conference committee executive session on trade legislation.

(5) The transfer from STR to Commerce would not reduce the burden on the White House. On the basis of past experience and the nature of the trade problem, frequent appeals from various agencies are likely. Ultimately a new STR would emerge within the President's official family.

Elliot Richardson.

**356. Editorial Note**

During a March 27, 1969, morning meeting with Secretary of Commerce Stans and the Chairman and the President of the National Association of Manufacturers, President Nixon “went on to talk about the Office of the Special Representative for Trade Negotiations, and to tell the visitors of his eventual plan to put that office into the Commerce Department ‘out of the White House and away from State’ . . . adding that there was a little too much Congressional opposition to the move to be able to do it now. He then looked at Secretary Stans and repeated his previously expressed wish that Maury do his best to name a good man for that office (if at all possible *before* he goes to Europe.)” (Memorandum by Butterfield for the President’s File, March 27; National Archives, Nixon Presidential Materials, White House Special Files, Staff Member and Office Files, President’s Office Files, Box 77, President’s Meetings File) That afternoon the President discussed the question of the Special Trade Representative in a meeting with Bryce Harlow, H.R. Haldeman, Henry Kissinger, and Robert Mayo. According to Haldeman’s brief notes, the President told Harlow: “Stans names the man[,] not State—but can’t put it into the dept. Keep Rogers out of it. tell Stans.” (Ibid., Haldeman Notes, Box 40)

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**357. Memorandum From the Acting Executive Secretary of the Department of State (Walsh) to the President’s Assistant for National Security Affairs (Kissinger)<sup>1</sup>**

Washington, April 7, 1969.

**SUBJECT**

Chairman Mills’ Views Regarding the Special Trade Representative

When the Deputy Under Secretary of State for Economic Affairs, Nathaniel Samuels, accompanied by Assistant Secretary Macomber, made his introductory call on Chairman Mills Thursday morning, the

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, NSC Files, Subject Files, Box 403, Office of the Special Trade Representative. No classification marking. Bergsten forwarded the memorandum to Kissinger under an April 7 covering memorandum, in which he commented that “you might find this ammunition useful in presenting the President’s decision to Secretary Stans.” (Ibid.)

Chairman took advantage of the opportunity to convey his strong conviction that it would be a grave mistake for the Administration to transfer the Office of the Special Trade Representative out of the White House.

In reviewing the background history, Mr. Mills emphasized his view that the unprecedented vote in support of the Trade Expansion Act in 1962 was directly related to the fact that the Administration had accepted the Congressional view that responsibility for trade policy be placed in the White House where the Special Trade Representative would have direct access to the President. That provision reflected the carefully considered view of Congress at that time and, in the Chairman's view, today. He added that the ranking minority member, John Byrnes of Wisconsin, feels as strongly as he does on the matter.

Aside from the critical issue of Congressional concern that trade matters not be relegated to a level where the influence of the Special Trade Representative would be submerged in the bureaucracy of one of the established Departments, the Chairman believes that it would be exceedingly difficult to get a first-rate man for this job unless it continues to be situated in the White House. In this connection he said he knows that the President would have no problem in getting George Champion to fill this position if the latter were assured that the Office would remain in the White House and that he would have direct access to the President as the situation required.

Mr. Mills said that he had discussed the matter with Secretary Stans and had informed him that he (Mills) "would not oppose" the transfer to Commerce, because he recognized the necessity of organizing the White House in accordance with the President's concepts. Stans told the Chairman that John Byrnes said he too would not oppose the transfer if Mr. Mills did not, but that Byrnes had been even more outspoken than the Chairman in his criticism of such a move. The Chairman explained at some length and with emphasis his view that although he could not oppose the transfer (for the reason cited above) the proposed move would be unfortunate and would have a decided impact on Congressional consideration of trade matters.

**John P. Walsh**

**358. Memorandum From the President's Assistant for National Security Affairs (Kissinger) to President Nixon<sup>1</sup>**

Washington, May 19, 1969.

SUBJECT

STR

Your decision to retain an independent STR has been applauded widely, in the press and in a flood of mail to you personally. It reassured numerous Congressmen, most of the business community, and most foreign governments of your commitment to freer trade.

There remained a great deal of uneasiness, however, over the real influence which STR will wield. The concern centers on the possibility that STR will be physically located in the Commerce Department, with the implication that the Special Representative would therefore be subordinate to the Secretary of Commerce.<sup>2</sup> (No other Executive Office of the President is housed in one of the Cabinet Departments.)

A decision to locate STR within Commerce could thus have the following undesirable effects:

1. The widespread kudos you have received for retaining an independent STR will disappear. Another massive campaign on the subject could well develop since the groups involved are all interested in substance rather than appearance.
2. Our trade legislation, both this year and in the future, will face increased difficulty on the Hill because of the widespread desire in Congress (including such key people as Wilbur Mills and John Byrnes) for STR leadership. Our legislative proposals will face enough problems without adding this one.
3. The foreign policy consequences which were avoided for the moment by the decision to retain STR will appear all over again. They would be even worse now because the protectionist image of Commerce has been greatly intensified by Secretary Stans' leadership on the textile issue, as Arthur Burns noted at the recent NSC meeting on trade.

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, NSC Files, Subject Files, Box 403, Office of the Special Trade Representative. Limited Official Use. Sent for action.

<sup>2</sup> In an April 23 memorandum to Kissinger, Bergsten discussed four factors that, he believed, appeared to undercut Nixon's decision to retain an independent STR: 1) Stans, not Nixon, offered the position to Carl Gilbert; 2) Nixon gave Stans the option of locating STR physically within Commerce; 3) Gilbert accepted the position without any conditions concerning direct access to the President or his relationship with other agencies; and 4) Gilbert had been excluded from Stans' private meetings with key foreigners during Stans' trade mission to Europe. For text of the memorandum, see *Foreign Relations, 1969–1976*, volume IV, Foreign Assistance, International Development, Trade Policies, 1969–1972, Document 197.

I can see very little substantive gain from locating STR within the Commerce building, and it seems that the major headaches listed above could be avoided by keeping STR in the Executive Offices of the President where it now is.

*Recommendation*

That STR remain physically, as well as legally, within the Executive Offices of the President.<sup>3</sup>

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<sup>3</sup> In a May 21 memorandum Haldeman told Flanigan that the "President would like you to make clear to Secretary Stans that he does not want the office itself moved. As the Secretary knows, the President will look to Stans for overall supervision of this office, but he feels it should not be moved from its present location and that any attempt to do so would create serious problems on the Hill, among other things." (National Archives, Nixon Presidential Materials, NSC Files, Subject Files, Box 403, Office of the Special Trade Representative)

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**359. Memorandum From the Deputy Under Secretary of State for Economic Affairs (Samuels) to Secretary of State Rogers and the Under Secretary of State (Richardson)<sup>1</sup>**

Washington, October 28, 1969.

SUBJECT

Commercial Attachés

Late last Thursday (October 23) I met with Secretaries Stans and Hardin<sup>2</sup> at the latter's request to discuss "attachés." Secretary Hardin opened by saying that he had had some discussions with the President about overseas staffing of agricultural attachés (presumably in connection with OPRED). He noted his satisfaction with the present arrangements regarding agricultural attachés (although he said that they might be more effective if they had a little more rank).

Secretary Hardin went on to say that the President had asked him to bring Secretary Stans and me together to take up the question of

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<sup>1</sup> Source: National Archives, RG 59, Central Files 1967-69, ORG 1. Confidential. Printed from an unsigned copy. Drafted by Deputy Assistant Secretary Eugene Braderman (E/CBA). Copies were sent to Macomber and Trezise.

<sup>2</sup> Reference is to Clifford Hardin, Secretary of Agriculture from January 1969 to December 1971.

whether commercial attachés should be placed under the jurisdiction of the Commerce Department. He then read from a follow-up memo addressed to him by John Whitaker (we have since learned he talked to the President on September 29<sup>3</sup> and the memo was dated September 30)<sup>4</sup> and I quote “Will you please discuss with Secretary Stans and Deputy Under Secretary of State Samuels the subject of placing overseas economic attachés under Commerce rather than State.” He noted that while “economic attachés” was mentioned, it undoubtedly referred to commercial attachés. At this point he said his task was done and he turned the meeting over to Secretary Stans.

Secretary Stans emphasized once more his own concern for export promotion and expressed the view that perhaps we could make more progress if the commercial attachés were under the jurisdiction of the Commerce Department. He suggested that each of us assign someone to prepare a list of pros and cons that we might review together in about 10 days. I have asked Gene Braderman to do this for me. Because this is a sensitive question, Secretary Stans asked that as few people as possible be involved at this stage. However, this is an important issue for all of us.

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<sup>3</sup> Hardin; John Whitaker, Secretary to the Cabinet; and Bryce Harlow met with the President from 4:40 to 5:25 p.m. on September 29. (National Archives, Nixon Presidential Materials, White House Central Files, President’s Daily Diary)

<sup>4</sup> A copy of the memorandum has not been found.

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### 360. Memorandum From the Chairman of the Export-Import Bank (Kearns) to President Nixon<sup>1</sup>

Washington, December 18, 1969.

Dear Mr. President,

SUBJECT

Foreign Commerce Service

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, NSC Files, Subject Files, Box 338, HAK/Richardson Meetings, Jan 1970–March 1970. Personal and Confidential at the Request of the President. A note on the memorandum indicates that the President saw it. The President wrote on page 1: “K, I completely agree with this analysis. Shake Samuels et al *hard* & get action. All they have done so far is to tinker with the status quo.”

In response to your request for my views I submit the following:

*Need*

The magnitude of and opportunities in the international commerce of the United States demand that official government representation abroad must be equal or better *in ability* to that of other industrialized countries.

The commercial service representing the United States abroad should be professional in nature, permanent, experienced, knowledgeable, and oriented toward business.

The overseas posts should provide uniformity in the competence of commercial representation, especially in areas where there are significant established or potential markets.

*Problem*

With few exceptions, personnel assigned to commercial and economic representation is drawn from the foreign service and rarely has had any association with or knowledge of business.<sup>2</sup>

It is universally believed throughout the foreign service that there is no opportunity for advancement through the economic field.<sup>3</sup> Most foreign service officers look upon an appointment as a career ambassador as the ultimate goal. To achieve this goal requires competence in politics, the ability to avoid controversy, and association with persons of like belief.

With few exceptions, foreign service officers are unwilling to assume any "risk" or criticism, not uncommon when an officer actively assists in business development. An aggressive "commercial type" is at a severe disadvantage in selection board evaluation.<sup>4</sup>

Official commercial and economic officers are "directed" by the political officers of the Department of State, who have little or no real interest in U.S. business development.

Those assigned to commercial activities are typically at the lowest end of a foreign post's protocol list.

Official commercial representation varies drastically from post to post and from year to year, providing little in the host country when related to U.S. Government interest in any business or economic activity.

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<sup>2</sup> Nixon underlined several words in this sentence and wrote "correct" in the right-hand margin.

<sup>3</sup> Nixon underlined the first sentence of this paragraph and wrote "correct" next to it.

<sup>4</sup> Nixon wrote "correct" in the right-hand margin next to this paragraph.

*Result*

Universally American business does not “trust” the so-called commercial officers. Seldom is there a request for assistance. Frequently an international American company having a foreign subsidiary will request the commercial officers from countries other than the United States for assistance. The result is usually that the exported product comes from a subsidiary rather than from the parent company.

Commercial reporting of opportunities, economic and business developments is not uniform; it varies from place to place and time to time, severely reducing its usefulness and meaning.

*Recommendation*

After careful and intimate examination of this subject for twelve years, it is my considered judgment that the one way to achieve an effective foreign commercial service would be to reinstitute the practice terminated at the end of the Administration of President Hoover—that of a professional Trade Commissioner Corps. Capable people can be recruited, trained, indoctrinated, and led to provide truly effective service which would mean a very significant improvement in United States economic activity abroad. This commercial service should be a part of the Department of Commerce but under the over-all policy direction of the Ambassador in each post. There is ample precedence. The Treasury and Agriculture Departments have had independent representatives for some time.

Sincerely yours,

**Henry**

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**361. Memorandum From the Executive Secretary of the  
Department of State (Eliot) to Secretary of State Rogers<sup>1</sup>**

Washington, February 27, 1970.

Mr. Secretary

You will note that the attached memorandum from Henry<sup>2</sup> assigns action on an important foreign economic policy matter to a working

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<sup>1</sup> Source: National Archives, RG 59, S/S-NSC Matters Files: Lot 73 D 288, NSC/Misc, February 1970. No classification marking.

<sup>2</sup> The February 27 memorandum to Rogers, Laird and Stans directed preparation of an interagency paper setting forth options open to the President under Export Administration Act of 1969.

group headed by the Commerce Department and would have the working group report to Henry. This is an example of how far we will have to go if we are to put coordinating responsibility for foreign economic policy back in your hands.

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**362. Draft Memorandum From Secretary of Commerce Stans to President Nixon<sup>1</sup>**

Washington, April 15, 1970.

SUBJECT

Proposal to Realign Economic/Commercial Functions of the Departments of State and Commerce

As discussed with you on April 2<sup>2</sup> and pursuant to your comments on this subject at the August 12 Cabinet Committee on Economic Affairs meeting in San Clemente, I have been examining the question of State/Commerce operating responsibilities in foreign economic/commercial activities.

My conclusions combined with (1) your experience and expressed wishes in this matter, (2) indications from the business community that a change is desirable, and (3) similar indications from Congressional leaders, lead me to recommend that we proceed with plans to implement Option "A" as described in detail in the attached paper.<sup>3</sup> This provides for transfer from State to Commerce of all Washington and overseas economic/commercial functions related to the Commerce

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, NSC Files, Agency Files, Box 213, Dept of Commerce, Vol. I, 1970. Official Use Only. Stans forwarded the unsigned draft memorandum to Kissinger under cover of an April 14 memorandum in which he noted that Nixon asked him to submit the proposal through Kissinger. Stans sent a copy of the proposal to Rogers the same day, explaining in his covering memorandum that he was considering recommending the changes and had forwarded the draft proposal to Kissinger. (Ibid., RG 59, Central Files 1970-73, ORG 1 COM-STATE)

<sup>2</sup> Stans met with Kissinger from 11:03 a.m. to 12:02 p.m. on April 2. Haig and Under Secretary of Commerce Rocco Siciliano joined them for all but the last 2 minutes of the meeting. (Ibid., Nixon Presidential Materials, White House Central Files, President's Daily Diary)

<sup>3</sup> Attached but not printed is a 10-page paper entitled "Proposal to Realign Economic/Commercial Functions of the Departments of State and Commerce." It consists of four parts: I. "The Present Situation"; II. "History of Commerce Overseas Representation"; III. "The Problem"; and IV. "Options".

Department's activities (U.S. trade and investment, insurance, business practices, export finance, patents and industrial products and technology) while leaving in the State Department those international economic/commercial functions which relate to the activities of other departments of Government (e.g., Agriculture, Treasury, Transportation).

I am sure you appreciate that this is a controversial matter between State and Commerce and between their respective supporters in Congress and the public. As you also know, there have been a series of proposals, discussions, and representations on this subject—over the past ten years—between the Executive Branch and Congress and between the Federal Government and the business community. I am convinced that action, as recommended, to put our country's international activities on a more business-like basis would now be in the national interest.

I stand ready to provide any supporting detail that would be helpful in your consideration of this proposal.

*Secretary of Commerce*<sup>4</sup>

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<sup>4</sup> Printed from an unsigned copy.

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### 363. Memorandum From Secretary of State Rogers to President Nixon<sup>1</sup>

Washington, May 1, 1970.

SUBJECT

Secretary Stans' Proposal to Transfer Responsibility for Foreign Economic Affairs to Department of Commerce<sup>2</sup>

I

Secretary Stans' proposal would divide responsibility for much of our foreign economic relations by transferring authority and functions

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, NSC Files, Agency Files, Box 213, Dept of Commerce, Vol. I, 1970. No classification marking. Rogers sent a copy to Stans under cover of a May 15 memorandum in which he sought to "underscore the strong feelings I hold on the subject. Simply stated, I could not efficiently advise on and carry out this nation's foreign policy if my authority and responsibility were fragmented in this manner you suggest." (Ibid., RG 59, Central Files 1970-73, ORG 1 COM-STATE)

<sup>2</sup> Document 362.

from the Department of State to the Department of Commerce, both in Washington and in our missions abroad.

I strongly disagree.

There is a fundamental issue here. It concerns the ability of the Secretary of State to advise the President wisely on foreign policy and to conduct efficiently the nation's foreign affairs.

The fragmentation of authority and responsibility for foreign relations can only impair the capacity of the Secretary of State. If each Department or agency with an interest in particular aspects of foreign affairs—and they are numerous—were to be vested with responsibility for these matters, the shaping and management of the nation's foreign policy would be immensely more complicated and more cumbersome than is now the case.

## II

Secretary Stans' specific suggestion for Washington is to take from the Department of State the functions and personnel dealing with foreign economic policy, leaving to State responsibility for political and diplomatic relations.

But economics *are* politics. Elliot Richardson and I have noted over the past 15 months that the problems coming to us are more often than not economic issues. They are always complex and contentious. I could not operate without a qualified and specialized economic staff. I need experts who both understand the economics of an issue and are able to judge its merits in the light of our total foreign policy objectives; who can evaluate the economic consequences of a proposed course of action as well as the political-military fall out; who can initiate new economic policies or suggest modifications that will achieve the ends sought by other agencies and yet reduce the foreign policy costs or enhance the foreign policy gains of an action.

There is of course a well articulated structure, culminating in the National Security Council, for coordinating foreign economic policy among the Washington agencies. The Department of Commerce has a voice and role in the coordination process, where its skills, experience, and points of view are regularly and fully reflected. I do not believe that the existing system precludes or limits in any way consideration of Commerce positions on foreign policy issues.

## III

Secretary Stans also would transfer from the Department of State to the Department of Commerce responsibility for the economic/commercial staffs in our missions overseas.

The function of these staffs is to advance our foreign economic policy interests and to promote the general and specific interests of Amer-

ican business abroad. They can carry out their many and varied activities—including representation, negotiation, business services, export promotion—most efficiently as an integrated staff under single management, responsible to the Ambassador, and through him serving the whole complex of Washington agencies to whom they look for backstopping and guidance.

In respect of the commercial work abroad, the Department of Commerce has an important supporting role, and officers concerned specifically with trade promotion are in some cases drawn directly from Commerce.

But the work of the economic/commercial staff covers the whole spectrum of our economic relations with the host country. To transfer authority over these staffs to the Department of Commerce would make the task of our Ambassadors far more difficult than it already is, and deprive the Secretary of State of effective leadership in the conduct of a major element in our foreign relations.

Even to break out a part of these integrated teams would materially affect their efficiency and morale. We have inherited too much fragmentation in the field already. I certainly do not favor further fragmentation.

#### IV

The organization of our economic/commercial sections has been looked at in detail a number of times in response to the wish of the Department of Commerce to have more direct control over trade promotion activities. On each occasion the judgment has been that an integrated organization, responding to and through the Ambassador, is more effective and efficient.

It is pertinent to note that nearly every other major trading country organizes its foreign service as we do. The British were an exception with an independent commercial service under the Board of Trade but they have given it up in favor of unification; and the Canadians, who have long been reputed to have the best commercial service of all the principal trading nations, are changing to a unified foreign service. In both cases, the decision to unify was taken because a separate commercial service not only brought organizational inefficiencies but also because its existence caused Ambassadors and senior diplomatic officers to give insufficient attention to business interests.

#### V

The comments I have had from the business community have been pretty uniformly complimentary about the improvement in the performance of the Foreign Service over the past few years. But I agree that there may be more to be done. I am proposing to have a group of

businessmen take an outsider's look at a representative sample of our embassies and consulates and to give us recommendations for changes in the structure or emphasis of our economic/commercial work abroad. Also, as a part of Deputy Under Secretary Macomber's overall review of the Department and the Foreign Service, we are examining what should or might be done to create more attractive careers for our economic and commercial officers. The content of our review is indicated in the attached draft of a letter I propose to send to our Ambassadors on the trade promotion effort.<sup>3</sup>

**William P. Rogers**

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<sup>3</sup> Attached but not printed.

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**364. Memorandum From C. Fred Bergsten of the Operations Staff, National Security Council to the President's Assistant for National Security Affairs (Kissinger)<sup>1</sup>**

Washington, May 21, 1970.

SUBJECT

Secretary Stans' Proposal to Transfer Responsibility for Foreign Economic Functions from the Department of State to the Department of Commerce

The memorandum at Tab I<sup>2</sup> summarizes and analyzes Secretary Stans' proposal to transfer all U.S. foreign economic and commercial functions, both overseas and in Washington, from State to Commerce, and Secretary Rogers' comments on them.<sup>3</sup> Stans wrote that he wishes to discuss the matter with you in detail, and his memorandum to the President is labeled "draft." The President had told him that the proposals should come through you.

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, NSC Files, Subject Files, Box 339, HAK/Richardson Meetings, April–May 1970. No classification marking. Sent for action.

<sup>2</sup> Tab I is attached but not printed.

<sup>3</sup> Documents 362 and 363.

The Stans request to gain complete control of these functions—and thus to deny the Secretary of State an economic, trade and investment policy role—is ludicrous. It would be like transferring the textile, export control, Hickenlooper, tariff preferences, and other trade policy problems completely to the domestic side of the White House and denying you a voice in them. (Stans proposes two “options,” but the second—to have Commerce take over *all* foreign economic policy functions, including those relating to Agriculture, Treasury, etc.—is so extreme that even he does not propose it, and I see no need to bother the President with it.)

In fact, the President has often mentioned a desire to use trade policy *more* actively to support U.S. foreign policy objectives, which hardly argues for giving all responsibility to Commerce. However, the President has also mentioned on numerous occasions his desire to improve commercial functions *in our embassies overseas*. It is regarding these overseas arrangements (not the Washington backup) that Stans’ arguments are the strongest and Rogers’ the weakest.

However, any change even in this limited area deserves careful study by an impartial agency, competent to handle management and administrative questions as they relate to policy and implementation—the Budget Bureau, which in fact called me when they learned that the issue had arisen again, and indicated that they were prepared to make such a study.

The real question is whether even this proposition deserves study again, since it has been looked at so many times before. I think it does:

- The President is obviously concerned about the problem.
- No one could argue that State is doing a particularly masterful job in representing our commercial interests overseas.
- Agriculture and Treasury have their own foreign representation, and this causes no real problem for State or our Ambassadors overseas.

My own guess is that a Commerce-run commercial service would have people of generally lower quality but with greater motivation to pursue commercial problems, which might on balance be a beneficial tradeoff.

After his request for extended discussion on the proposals, Secretary Stans may consider it a brushoff to have a portion of his proposal rejected and the rest remanded to further study. However, I do not think that much progress can be made in substance by a discussion between you and Stans at this stage. You could hardly leave out State completely, and in fact Stans sent Rogers a copy of his “draft.” A joint HAK/Commerce/State discussion would put you in a role of refereeing administrative questions, which—to say the least—would be unrewarding.

*Recommendations*

1. That you sign the memorandum for the President at Tab I, proposing that Budget, with the assistance of State and Commerce, study the *overseas roles* of Commerce and State in handling our international commercial affairs.

Approve<sup>4</sup>

Disapprove, prefer to set up a meeting to discuss with Stans

Disapprove, prefer memorandum to the President rejecting proposals in entirety

2. If the President approves the recommendations at Tab I, that you sign the memorandum at Tab II to convey the decisions to the agencies.

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<sup>4</sup> Kissinger initialed this option but wrote on page 1: "Pres. would prefer an ad hoc group I'm sure—maybe including businessmen. Won't want BOB. Let's redo. Get Lynn's view re mechanics. Also I want to discuss with Richardson."

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### 365. Memorandum From Secretary of Commerce Stans to President Nixon<sup>1</sup>

Washington, May 25, 1970.

Following on our several discussions about the commercial attachés of the State Department, I prepared a memorandum a short time ago outlining a proposal whereby these individuals might be transferred to the Department of Commerce.<sup>2</sup> I sent a draft copy of that memorandum to Bill Rogers, but did not send one to you.

Bill's people misconstrued the situation and assumed that I had sent the memorandum to you, with the result that you have now received a reply to a document that you did not receive in the first place.

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, NSC Files, Subject Files, Box 339, HAK/Richardson Meetings, April–May 1970. No classification marking. Printed from a copy sent to Kissinger.

<sup>2</sup> Document 362.

I have since talked to Bill about this and suggested that instead of arguing this matter by correspondence, he and I sit down with three or four of our key people and try to work out a solution that will provide more effective commercial assistance overseas in our export and foreign investment programs.

He has agreed to this, so that there is nothing that you need do at this time, and I hope that we can work something out without troubling you further.<sup>3</sup>

**Maurice H. Stans**<sup>4</sup>

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<sup>3</sup> In a May 28 memorandum Kennedy informed Kissinger of Stans' agreement with Rogers and that "Bergsten feels this is not a White House matter and advises that you not raise it with Under Secretary Richardson." (National Archives, Nixon Presidential Materials, NSC Files, Subject Files, Box 339, HAK/Richardson Meetings, April–May 1970)

<sup>4</sup> Printed from a copy that bears this typed signature.

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**366. Memorandum From the Chairman of the Council of Economic Advisers (McCracken) to John Campbell of the White House Staff<sup>1</sup>**

Washington, July 7, 1970.

SUBJECT

Secretary Stans' suggestion for a new Administration Committee on Foreign Economic Policy<sup>2</sup>

Secretary Stans has put his finger on a real problem in policy-making. The development of international economic policies has been one of the least well-organized segments of economic policy. This is in part due to the absence of relevant individuals on the National Security Council, which has formal responsibilities in the international area.

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, White House Central Files, Staff Member and Office Files, Houthaker Files, Box 30, Foreign Economic Policy—Ad Hoc Committee. No classification marking.

<sup>2</sup> No memorandum containing Stans' suggestion has been found.

An appropriate group to develop international economic policy would be those mentioned by Secretary Stans (the Secretaries of Treasury, Labor, Commerce, and Agriculture; the Deputy Under Secretary of State for Economic Affairs; and the Chairman of the Council of Economic Advisers), plus the Special Representative for Trade Negotiations, the Director of the Office of Management and Budget, the Assistant to the President for National Security Affairs, and the Administrator of AID. I believe that it would be appropriate for the Secretary of the Treasury to chair this group. Subcommittee should include one on international monetary policy chaired by the Under Secretary of the Treasury for Monetary Affairs, and one on trade policy chaired by the Special Representative for Trade Negotiations. It would be desirable to prevent a proliferation of subcommittees to handle work now being done by such committees as the Volcker Group. (The Volcker Group has been doing a good job, and it should be continued in its present form.) As the new committee would be the summit of policy-making, agencies should be represented by the principals.

The proposed Committee for Foreign Economic Policy would be in line with the discussions which Director Shultz and I have had with the President regarding a number of economic committees based on the Troika, with additions.

**Paul W. McCracken**

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**367. Action Memorandum From the Director of the Planning and Coordination Staff, Department of State (Cargo) to Secretary of State Rogers<sup>1</sup>**

Washington, July 22, 1970.

SUBJECT

Proposal for Foreign Economic Policy Council

Pursuant to your request to Mr. Eliot, there is enclosed a proposed memorandum to the President<sup>2</sup> recommending the establishment,

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<sup>1</sup> Source: National Archives, RG 59, S/S-NSC Matters Files: Lot 73 D 288 Foreign Economic Policy Council. Secret. Drafted by C. W. Ruser and concurred in by Trezise (E). Sent through U. Alexis Johnson and S/S.

<sup>2</sup> Attached but not printed.

under your chairmanship, of a Council on Foreign Economic Policy. The memorandum has been reviewed by Mr. Samuels and has his concurrence.

We propose that the Council be presented as a new specialized mechanism within the NSC system. This would:

—subordinate the new Council to the NSC, preserving organizationally the President's option to hold NSC meetings on economic topics in lieu of Council meetings whenever desirable;

—underscore organizationally the principal argument for a State-chaired group, i.e., the fact that foreign economic policy is part and parcel of the conduct of foreign policy.

The proposed memorandum also envisages:

—that the responsibilities of the Secretary of the Treasury for international monetary problems as provided for in the executive order establishing the National Advisory Council on International Monetary and Financial Policies<sup>3</sup> be left intact; the handling of foreign assistance issues would depend on decisions to be taken on the Peterson report;<sup>4</sup> and

—that the NSC Under Secretaries Committee which has been heavily involved in inter-agency coordination of foreign economic issues be given the role of a working group in relation to the Council.

#### *Recommendation*

That you sign the enclosed memorandum.<sup>5</sup>

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<sup>3</sup> E.O. 11269, February 14, 1966. For text, see 31 F.R. 2813.

<sup>4</sup> Documentation on the Peterson report and its implementation is in *Foreign Relations, 1969–1976*, volume IV, Foreign Assistance, International Development, Trade Policies, 1969–72, Documents 128–136. See also Department of State *Bulletin*, April 6, 1970, pp. 447–467.

<sup>5</sup> In a July 24 memorandum Eliot informed Johnson that Tresize had reservations about the proposed memorandum to the President: 1) it would “cause quite a stir within the Cabinet, presumably triggering rebuttals in favor of other arrangements”; 2) “our problems in the foreign economic policy area are political and substantive rather than organizational”; 3) therefore State should first be sure the Ash Committee will recommend a new organization in the White House. Eliot reported that Samuels, however, believed there was nothing to lose by sending the memorandum now; should the Ash Committee recommend a new White House mechanism, it was desirable to go on record early against it. (National Archives, RG 59, S/S–NSC Matters Files: Lot 73 D 288, Foreign Economic Policy Council) In a July 30 memorandum Eliot informed Cargo that Johnson recommended to Rogers that he not sign the proposal memorandum, but instead use it as background material for any future conversations with Nixon or Kissinger. (Ibid.)

**368. Memorandum From the Counselor of the Department of State (Pedersen) to Secretary of State Rogers<sup>1</sup>**

Washington, July 30, 1970.

## FOREIGN ECONOMIC POLICY

A substantially increased integration of economic foreign policy with political and strategic foreign policy is of such importance to improving the country's diplomacy and world position that it would be desirable for you to discuss the matter with the President in San Clemente. This is particularly true as there are substantial tendencies to treat foreign economic policies in a different framework and because decisions will have to be made in the near future.

Substantially increased emphasis on economic (including trade and commercial) policy is also needed for the healthiest and most effective development of the Department and Foreign Service's contribution to the nation, as you have frequently urged. The more we can develop this concept the better will be our contribution to the nation, here and abroad.

What is needed, I believe, is three things: A close integration in the White House of foreign economic policy with political and strategic policy within the NSC system. An emphasis upon State Department leadership in developing interdepartmental policy recommendations short of the NSC, along the lines of the current NSC system. And an assignment of supervisory authority to the Department over the implementation of foreign assistance.

In April you recommended to the President<sup>2</sup> that in putting long-term development into a banking-type institution it be made subject to policy guidance and coordination with other assistance through a board chaired by the Secretary of State. A single security program would be established under State Department authority. A contingency fund, to include disaster and unforeseen public order matters, would be appropriated to the President and assigned to you. You stressed that your chairmanship of the Bank Board would help assure firm coordination here and in our missions in the field and that it would be prefer-

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<sup>1</sup> Source: National Archives, RG 59, Pedersen Files: Lot 75 D 229, Chron File. Confidential. Rogers initialed the memorandum, indicating that he saw it.

<sup>2</sup> For text of Rogers' April 17 memorandum to the President, see *Foreign Relations, 1969-1976*, volume IV, Foreign Assistance, International Development, Trade Policies, 1969-1972, Document 133.

able to put such operational and supervisory authority in the State Department to putting it in the White House.

Whatever the exact details may ultimately be, and we do not know what is being proposed to the President, a system which keeps the operational and day-to-day policy supervision of foreign assistance programs under the Secretary of State will ensure the closest day-to-day integration of foreign economic and aid policy with other policy and help hasten the improvement of the economic capabilities of the Foreign Service as a whole, which will also benefit the government.

We also understand that the Ash Committee<sup>3</sup> may recommend establishment of new machinery in the White House for foreign economic policy outside the NSC machinery. I concur in the view that foreign economic policy should remain in the NSC itself, and believe the NSC staff should be augmented for that purpose if necessary. This also will help integrate economic policy rather than separate it.

Short of the NSC itself the leadership in developing policies and recommendations should be in the State Department for the same reasons as cited above. The preferable approach is through the economic Interdepartmental Group and the Under Secretaries Committee, where detailed matters can be ironed out within Presidential decisions as they now are. If a more specific high level structure were desired a second Under Secretaries Committee chaired by the Under Secretary and in which Mr. Samuels would participate (as Mr. Johnson does in the present one) would be a good approach. It seems to me that a Council on Foreign Economic Policy, within the NSC system and chaired by you, would be somewhat awkward and would meet substantial resistance. If it were necessary to move in this direction it might be better to call it an NSC Sub-Committee on Foreign Economic Policy, chaired by the Secretary of State.

(International fiscal policy is separate from all this, having been handled for years under a National Advisory Council and the Secretary of the Treasury.)

The key elements, in short, regardless of the system, are to assure coordination in the White House of policy decisions on all foreign diplomatic, strategic and economic policy through a single NSC mechanism, and to establish in the Department of State day-to-day leadership in policy preparation and implementation through (a) our supervision of the administration of foreign aid and (b) our chairmanship of inter-departmental preparations of proposed foreign economic policies and of detailed elaborations following Presidential decisions.

**RFP**

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<sup>3</sup> See footnote 2, Document 370.

**369. Memorandum From the Director of the Office of Management and Budget (Shultz) to President Nixon<sup>1</sup>**

Washington, undated.

SUBJECT

Meeting with George Shultz and Henry Kissinger August 11, 1970, 11:00 a.m. (10 minutes)<sup>2</sup>

*I. Purpose*

Kissinger and Shultz will present a proposed organizational arrangement for handling foreign economic policy.

*II. Background*

On June 30, 1970 you approved a "Troika-plus" arrangement for economic policy generally. In the proposed system for foreign economic policy we plan to build on this arrangement. The Treasury Department, especially Paul Volcker, will play a coordinating role. The National Security Council will be fully represented.

The group itself will be assigned by several subgroups with interlocking membership. While some flexibility should be retained, we visualize the need for five at this time.

1. Committee on Monetary Policy and Balance of Payments
2. Committee on Commercial Policy
3. Committee on Export Promotion
4. Two parallel Committees dealing with Multilateral and Bilateral Economic Assistance

If you approve, Shultz will work it through the various affected Departments and prepare a formal memorandum for you and an implementing letter from you to the Secretary of the Treasury. Drafts of these are attached. See Tabs A and B.<sup>3</sup>

**George Shultz<sup>4</sup>**

<sup>1</sup> Source: National Archives, Nixon Presidential Materials, White House Special Files, President's Office Files, Box 82, Memoranda for the President. No classification marking.

<sup>2</sup> The President's Daily Diary indicates that Nixon met with Shultz and Kissinger from 11:30 to 11:40 a.m. on August 11. Just prior to that meeting Nixon had met with Shultz for almost 50 minutes, with Ehrlichman, Haldeman, Finch, and Harlow present for most of the meeting. The latter four departed by 11:30. (Ibid., White House Central Files) No record of discussion at either meeting has been found.

<sup>3</sup> Tab B is attached but not printed.

<sup>4</sup> Printed from a copy that bears this typed signature.

**Attachment<sup>5</sup>**

**Draft Memorandum to the President**

Washington, undated.

SUBJECT

Organization for Foreign Economic Policy

Consistent with the memorandum to you of June 30 from George Shultz dealing with organization for economic policy in general, this memorandum proposes more specific organizational arrangements for foreign economic policy.

The proposed arrangements are designed to:

- (1) Provide a clear top-level focus for the full range of foreign economic policy issues to assure these problems receive consistent, timely attention;
- (2) Deal with foreign economic policies—trade, investment, balance of payments, aid, and financial—as a coherent whole;
- (3) Achieve consistency between domestic and foreign economic policy;
- (4) Maintain close coordination with basic foreign policy objectives.

These goals would be achieved by building on the basic Troika framework, adding particularly State and National Security Council representation. The proposed arrangements would retain (but modify) some existing coordinating arrangements, supersede others, and fill gaps as necessary.

We would suggest that, if you agree, these arrangements could be set in motion by a letter from you to the Secretary of the Treasury and to other affected officials. The letter would establish the broad mandate for the proposed Foreign Economic Policy Group, set the membership,

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<sup>5</sup> Confidential. The draft memorandum appears on blank paper, but another copy (from which the copy at Tab A was made) is on the letterhead of the Secretary of the Treasury and is attached to an August 10 memorandum from Flanigan to Shultz in which Flanigan commented that the “Treasury proposed organization” differed “in only one major respect” from his own proposal—“that difference puts management of the program in Treasury rather than in the White House.” The benefit of Treasury’s proposals, in Flanigan’s view, was that staff already existed in Treasury, while outside of NSC and CEA staff did not exist in the White House. The major objection was in making Treasury “*primus inter pares*,” which was a “difficult concept,” especially for areas other than monetary, and one State in particular would find hard to accept. (National Archives, Nixon Presidential Materials, White House Special Files, Confidential Files, Subject Files, FO)

and ask Secretary Kennedy to assume Chairmanship and provide the principal staffing. A draft of such a letter is attached.<sup>6</sup>

*Proposed Organizational Structure*

Consistent with your decision to organize foreign economic policy around the basic Troika framework, supplemented by relevant additional agencies, the following arrangements are proposed for foreign economic policy:

(1) A top-level policy body would be established by you to be known as the "Foreign Economic Policy Group." The members of this Group would be the Troika agencies, to which would be added State, NSC, STR, Commerce, Labor and Agriculture. This membership would be supplemented by others as needed. A high-level member of your White House staff concerned with economic policy would be included.

This Group would be close in membership to the present National Advisory Council on International Finance, which has specific responsibilities in certain areas of international finance. Maintenance of the formal identity and continuity of the NAC would have some advantages in terms of legislative history and relationships. We would, therefore, contemplate that the Group could meet from time to time in that name, when dealing with matters that the Congress has specifically directed to the NAC (mainly issues concerning the multilateral financial institutions).

We would propose that the Secretary of the Treasury be Chairman of the new "Foreign Economic Policy Group," as he now is of the NAC. He is the official with the primary operating responsibilities in much of the area and has adequate staff. Accordingly, Treasury would be looked to to provide primary staff support and, working closely with the White House representative, would organize and coordinate needed staff support in other agencies.

Regular meetings would be contemplated with at least partly regular agenda to assure timely reports from subgroups.

(2) We contemplate that the top group would be assisted by several subgroups with interlocking membership, each dealing with an important phase of foreign economic policy. The Troika agencies, State, and the NSC would be represented on each of these groups, and your White House staff would be informed about and free to participate in their deliberations (and *should* participate in the more critical meetings).

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<sup>6</sup> Attached but not printed.

While some flexibility should be retained for fixing the number, composition, and mandate of these subgroups, we visualize the need for five at this time, along the following lines:

(a) A Committee on Monetary Policy and the Balance of Payments, chaired by Treasury. This group would include the Federal Reserve. It would essentially carry forward the present working group on international monetary matters known as the Volcker Group.

(b) A Committee on Commercial Policy, chaired at least initially by CEA and including STR, Commerce, Agriculture, and Labor as regular members. This Group would deal with critical trade matters, where the need for better coordination is particularly critical.

(c) A Committee on Export Promotion, chaired by Commerce, with STR, Agriculture, and Labor represented. This effort needs persistent high-level attention.

(d) Two parallel Committees dealing with Multilateral and Bilateral Economic Assistance. In the multilateral area, use can be made of the existing NAC "Alternates" group, chaired by Treasury; a decision on the bilateral assistance group will need to be integrated with your recommendations on the Peterson Report.

### *Conclusion*

In shaping these recommendations, we have been particularly conscious of the need to assure a comprehensive view of foreign economic policy as a whole, while recognizing the links both to domestic economic policy and to foreign policy. We believe these objectives can be achieved by establishing close links between the Troika pattern and the State–NSC complex. Against the background of the Troika model, we visualize close and informal working relationships on the basis of a letter from you to the interested agencies as proposed above.

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## **370. Memorandum for the President's File<sup>1</sup>**

Washington, August 25, 1970.

### SUBJECT

Meeting with the President's Advisory Council on Executive Organization (Ash Council),<sup>2</sup> 10:30 a.m., August 25, 1970

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, White House Special Files, President's Office Files, Box 82, Memoranda for the President, Beginning Aug. 23, 1970. No classification marking. A copy was sent to Kissinger. According to the President's Daily Diary, the meeting lasted from 10:42 a.m. to 12:16 p.m. (Ibid., White House Central Files)

<sup>2</sup> The Ash Council was appointed by President Nixon on April 5, 1969, to review the organization of the Executive Branch. The Council proposed major changes in the

The President met with the following members of the President's Advisory Council on Executive Organization (Ash Council) at the Western White House this date:

Roy Ash  
Walter Thayer  
Fred Kappel  
John Connally  
Dick Paget  
George Baker  
Andrew Rouse

White House staff members attending the meeting were George Shultz, John Ehrlichman, Peter Flanigan, and Henry Kissinger.

The President pointed out the great contributions that the Council had made.

Shultz outlined his efforts with OMB to date. Among other things, he pointed out the problem of "coping" and making it meaningful.

The President said that bureaucracy has traditionally run governments rather than vice versa. This new structure should avoid that, particularly where the bureaucracy thinks, generally, differently from this Administration.

Ash said it was now time for the Council to retire, October 1 and 2, and for the OMB to take over its tasks. Nevertheless the President asked, and Ash agreed, to study the problem of the Civil Service.

Ash then stated the Council's recommendations:

*Foreign Economic Policy*

Clearly foreign economic policy is of utmost importance to the nation. And in the area of foreign trade the nation is losing its lead. To handle this problem the President must have adequate "equipment" in the structure of his office to deal with the problem; there must be a central point. The problems, large as they are, will grow larger and the structure must be put in place *now*.

Two characteristics of foreign economic policy decisions are (1) they have almost equal domestic and foreign implications, and (2) the decision involves trade-offs that must be made at the Presidential level. The Council considered the various alternatives (OMB, NSC, and others) and finally decided the best alternative was a restructured

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organization of the Executive Office of the President, including the establishment of OMB, that were instituted in Reorganization Plan 2 of 1970, effective July 1, 1970. Documentation on the Council's activities is *ibid.*, White House Special Files, Staff Member and Office Files, Ehrlichman Files, Box 32, Executive Office Reorganization.

STR, plus a Cabinet-level council on *International Economic Policy*. This would be “alongside” the NSC and the Domestic Council. The restructured office would continue to be responsible for the operation of trade negotiations.

Regarding the Peterson Task Force recommendations for new agencies for AID and a coordinating council, the Ash Council recommends that this be subsumed in the International Economic Policy. Peterson is concerned that foreign aid might be subordinated to other factors. Nevertheless, the Council feels that aid is an integral part of the larger responsibilities of the International Economic Policy Council.

The President pointed out that in 1957 Foster Dulles expressed the same desire to centralize foreign economic policy outside of State. He pointed out the bureaucratic infighting that has historically been carried on regarding this subject. He then said he agreed on the need for a strong central authority to deal with the problem. The President finally said he would very seriously consider their recommendation. He would also like to have an organization competent to look down the road 25 years on international economic problems. But in looking at these future problems, realizing the increasing importance of economic relations internationally, the President sees a problem in splitting this off from the NSC. Dr. Kissinger said he saw no problem in the new council working with the NSC.

The President feels that one requirement is that the Council remain *small*. The Domestic Council is perhaps too large, while the NSC is more effective because it is kept small.<sup>3</sup>

#### *Re IRA*

All agreed that the proposed publication of the Ash Council’s recommendations was a good idea.

However, Baker pointed out that in October or November Penn-Central might go under due to lack of cash flow. He urged that the Administration begin to prepare now for this possible development, perhaps by getting more strongly behind the bill currently before the Congress.

**PMF**

*Assistant to the President*

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<sup>3</sup> In his diary entry for August 25, Haldeman noted the following: “Long meeting with Ash Council was apparently productive. P[resident] had Shultz, E[hrlichman], and me in later and had decided to go Ash route on foreign economic policy organization. Will cause major problems with State and Rogers, but P told Shultz to go ahead and set it up as a White House function, look for a really good strong man to head it up, but don’t announce it as a big change, just ease into it to minimize impact on State.” (*The Haldeman Diaries: Multimedia Edition*) According to the President’s Daily Diary, Nixon’s meeting with Haldeman, Ehrlichman, and Shultz lasted from 1:10 to 2:20 p.m. (National Archives, Nixon Presidential Materials, White House Central Files)

**371. Letter From Secretary of Commerce Stans to Secretary of State Rogers<sup>1</sup>**

Washington, September 8, 1970.

Dear Bill:

In trying to develop a focus for discussions between us regarding the improvement of commercial services in our embassies, I have developed the attached two papers. This letter explains the reasoning behind them.

I believe there is strong evidence that:

1. Other important nations place greater emphasis on trade, investment, and other commercial matters in the work of their embassies than does the United States.
2. There is a considerable volume of criticism by American businessmen of the quality of service and quality of personnel in our foreign commercial staffs overseas.

In our first meeting on this subject, we agreed that for the purpose of our discussions we would not attempt to take the time required to document fully these two points, and I hope that we can sustain this agreement.

In any event, it is our opinion in Commerce that major changes are desirable in order to provide the kind of service in our foreign representation that is warranted by the importance of international trade and investment to our balance of payments and to our entire domestic and international economic posture. It is our opinion that this should involve a much greater degree of participation on the part of the Department of Commerce, and a much greater degree of sincere cooperation between our two departments than is currently the case.

Our thinking on this subject has led us to consider two basic alternatives:

1. The transfer of the commercial representation including the commercial attachés (and possibly the economic attachés) to the Department of Commerce, and the development of new programs and procedures to strengthen their function and performance; or
2. A reordering of the priorities of the State Department to place commercial activities in the embassies at the highest level, as the British and other nations have obviously done, and thereupon developing the relationships between our two departments to carry out that determination.

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<sup>1</sup> Source: National Archives, RG 59, Central Files 1970-73, ORG 1 COM-STATE. No classification marking.

I have reviewed the series of proposals in your proposed letter to Ambassadors, attached to your memorandum to the President written some time ago,<sup>2</sup> and believe that they are inadequate to achieve the necessary improvements. My comments on them are in Memorandum A attached.<sup>3</sup>

Memorandum B attached<sup>4</sup> contains a series of proposals which outline what I believe to be a minimum basic understanding short of the transfer of the overseas commercial responsibilities to this Department that would resolve the problem. I submit them to you in all sincerity as a potential alternative solution for what we consider to be a very pressing and very substantial problem requiring major attention at this time.<sup>5</sup>

Sincerely,

**Maury**

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<sup>2</sup> Document 363.

<sup>3</sup> Comments on State Department Proposals With Reference to Foreign Commercial Activities; not printed. Macomber and Trezise advised Rogers in a September 24 memorandum that Stans had rejected virtually all the points made in the proposed letter to Ambassadors. (National Archives, RG 59, Central Files 1970–73, ORG 1 COM–STATE)

<sup>4</sup> Memorandum B is attached but not printed; see Document 376 which lists Stans' 14 proposals.

<sup>5</sup> In a brief reply, September 26, Rogers stated that he had passed Stans' letter to Macomber and expected it would contribute to the ongoing consultations between Macomber and Under Secretary of Commerce Siciliano. (National Archives, RG 59, Central Files 1970–73, ORG 1 COM–STATE) Rogers replied point by point to Stans' proposals in a letter sent 14 months later, on November 22, 1971; see Document 376.

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**372. Transcript of Telephone Conversation Between the President's Assistant for National Security Affairs (Kissinger) and the Director of the Office of Management and Budget (Shultz)<sup>1</sup>**

Washington, September 10, 1970.

K: I take it you wanted to talk about that memo.

S: I wanted your reaction.

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<sup>1</sup> Source: Library of Congress, Manuscript Division, Kissinger Papers, Box 364, Telephone Records, Chronological File. No classification marking. The conversation, which began at 4:50 p.m., appears to reference topics contained in Document 369.

K: I think if you want action on that and give it to the Secy. of State he will go with it and switch it to State. It's just not clear enough. If you want substance of what we are talking about you cannot avoid a fight. It may not be open but it will be real. The only thing that Bill is interested in is State Dept. status and you are wasting your breath on arguments. You have to make clear who is in charge. He will chair the Secretary's group. I wouldn't put in this that State, Treasury. I don't think State has the staff to do it. The only agency that could do staff work is Treasury and that's not good.

S: These are the Depts. that have the most people and greatest amount of potential.

K: You have to tell the President exactly what you recommend. You have to tell him other points of view. Unless you get yourself or whoever as chairman, you will be in an endless guerrilla war.

S: Suggest a change in the way it's written and I will attempt it.

K: I would do a memo with my recommendations. Two pages saying what it should be. Do other memo on why you have objected other possibilities. That will still give everyone a hearing.

S: You think that memo is too long.

K: I think it's too wishy-washy, to be impolite, in so far as what this group is supposed to do on the whole foreign economic strategy. Secondly, on the way the papers flow into the Cabinet level committee. You see, the big bureau departments like Cabinet level committees to gas around; since they control the action they can do it through the cables. Unless you create a focal point through which you can force the ? ? ? ? ? ? ? on the key items, it's an endless battle. This is just too vague. "A working group ? ? ? ? ?" And then you give him 4 choices.

S: At that point that could be changed and a paragraph of arguments of putting it into EOB could be inserted.

K: And explain the chairman more fully and what the chairman should do.

S: If you want to make some notes on that I will appreciate it and I will work on it tonight.

**373. Memorandum From the Director of the Office of Management and Budget (Shultz) to President Nixon<sup>1</sup>**

Washington, October 13, 1970.

SUBJECT

Committee on International Economic Policy

*I. The Problem.*

There is wide agreement (your own advisors, the Ash Council) that international economic policy is and will be of great importance and that we need an identified working group at the highest level to coordinate its development and execution.

The problem is to locate and staff this effort appropriately, bearing in mind the following objectives:

A. Provide a clear top-level focus for the full range of international economic policy issues to assure these problems receive consistent, timely attention.

B. Deal with international economic policies—trade, investment, balance of payments, aid, defense, and financial—as a coherent whole.

C. Achieve consistency between domestic and foreign economic policy.

D. Maintain close coordination with basic foreign policy objectives.

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, NSC Files, Agency Files, Box 218, Council on International Economic Policy (CIEP), Oct 70–31 July 71. No classification marking. Forwarded to the President by Shultz under an October 13 covering memorandum in which he stated he had discussed the proposal extensively with Kissinger, Ehrlichman, and Flanigan and believed they were “in general accord with it” but noted that they might have some additional comments. Shultz also wrote that he had also discussed it with Rogers, Kennedy, and Stans, who were “in accord except that Secretary Rogers feels very strongly that State should chair the proposed working group.” (Ibid.)

In addition to his telephone conversation with Kissinger on September 10 (Document 372), Shultz met with Kissinger on September 11 from 6:54 to 7:25 p.m., with Kissinger, Ehrlichman, and others on September 14 from 6:52 to 7:42 p.m., with Kissinger on October 7 from 6:05 to 6:08 p.m. and 9:31 to 9:42 p.m., and with Kissinger and Ehrlichman on October 9 from 4:36 to 5:39 p.m., at which they could have discussed Shultz’s proposed initiative and memorandum. (Library of Congress, Manuscript Division, Kissinger Papers, Box 438, Miscellany, 1968 to 1976, Record of Schedule)

Treize and Samuels wanted Rogers to propose to the President that he use the Under Secretaries Committee as a working group for the CIEP or, failing that, that State either chair the working group or provide the Executive Director. (Memorandum from Samuels to Rogers, October 13, and attached draft memorandum from Rogers to Nixon; National Archives, RG 59, Central Files 1970–73, E 1)

## II. Alternatives.

There is general agreement on the principal Cabinet Departments involved: State, Treasury, and Commerce, with Agriculture and Labor also involved in certain respects.

The central questions are: where should responsibility for chairmanship and the direction of this effort be lodged; and how should the staff work of the Committee be directed and executed.

The Ash Council argued persuasively to you against locating central responsibility in one of the Cabinet Departments. They argued in favor of placing responsibility in the Executive Office, using a reconstituted STR to take advantage of the staff positions available there. It would direct work of a Council, almost comparable with the NSC or Domestic Council, chaired by the President. Such a high profile operation would also involve major staff responsibilities in the Executive Office.

An alternative approach follows certain principles you developed in subsequent discussion. These are:

- The Committee will be chaired by the President.
- Its designated membership will be small, with the extras involved in individual meetings severely restricted, on the NSC model.
- The effort will have a low profile.
- The tendency to build up an extensive staff in the Executive Office is to be resisted, with staff effort to be provided by the Departments and other existing staff units, sometimes on special assignment to the Committee.

## III. Proposed Organization and Working Arrangements.

A. The Committee will be chaired by the President, and consist of the Secretary of State, of the Treasury, and of Commerce, the Chairman of the Council of Economic Advisers, the Assistant to the President for National Security Affairs, the Executive Director of the Domestic Council, and the Director of the Office of Management and Budget. Additional attendance at meetings will be by invitation for specific agenda items.

You may wish to add the following, though it would enlarge the size of the group:

Secretary of Agriculture

Secretary of Labor

The Special Trade Representative<sup>2</sup>

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<sup>2</sup> None of the options is checked.

B. A working group will be established at the political appointee level, to help the Committee in its operations. It will act as the general secretariat for work of the Committee and be responsible for the staff work. Its responsibilities will include:

- Establish a work program, including topics, timing, and identification of individual assignments.
- Develop the agenda and supporting materials for the Committee.
- Review all papers going to the Committee.
- Establish Task Forces on special topics.
- Follow up on decisions reached, coordinating actions of the Government where that is necessary.
- Help develop a sense of direction, strategy and the relationship of the parts to the whole of this problem area.

The Chairman of the working group should have ready access to the President and should be able to initiate projects and call upon staff resources from throughout the Government to augment his own small staff.

State argues that it should chair this working group, largely on the grounds of primacy of interest, staff ability, and the importance of such recognition to its foreign policy role.

So far as I have found, State is alone in this view and all others argue that the chair should be in your Executive Office. The same arguments against any Cabinet Department chairing the main Committee are operative: need for the Presidential point of view, safeguard against over-emphasis on a particular department's concerns, reluctance of departments to take direction from one another and the primacy of other departments in certain areas, such as Treasury in the monetary field.

I recommend that the working group be chaired in the Executive Office.

C. Working subcommittee will be established initially as follows:

1. Committee on Trade Policy and Developments including State, Treasury, Commerce, Agriculture, Labor, CEA, STR, OMB and NSC. This group would deal with critical trade matters, where the need for better coordination is particularly critical. The chair should be taken by

CEA

STR<sup>3</sup>

2. Committee on Monetary Policy, including balance of payments problems, chaired by Treasury with State, the Federal Reserve, CEA, OMB, NSC as members, with others on an ad hoc basis.

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<sup>3</sup> Neither option is checked.

3. Committee on Export Promotion, chaired by Commerce, with STR, Agriculture, Labor, and CEA as members. This effort needs persistent high-level attention.

4. Committee on Economic Assistance. Use can be made of the National Advisory Council insofar as multilateral aid is concerned, but a decision on the composition and chairmanship of this Committee will need to be integrated with your recommendations on the Peterson Report. The NSC must clearly have an important role in this Committee, and perhaps State should chair it.

**George P. Shultz**

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### **374. Memorandum by President Nixon<sup>1</sup>**

Washington, January 18, 1971.

#### MEMORANDUM FOR

The Secretary of State  
The Secretary of the Treasury  
The Secretary of Agriculture  
The Secretary of Commerce  
The Secretary of Labor  
The Director, Office of Management and Budget  
The Chairman, Council of Economic Advisers  
The Assistant to the President for National Security Affairs  
The Executive Director of the Domestic Council  
The Special Representative for Trade Negotiations

This memorandum establishes a Council on International Economic Policy. I will serve as Chairman with the addressees as Members.<sup>2</sup> In my absence, the Secretary of State will chair meetings of the Council.

The purposes of the Council are these:

1. Achieve consistency between domestic and foreign economic policy.

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, White House Central Files, Subject Files, Box 3, Ex FG. No classification marking. The memorandum was released on January 19 and printed in *Public Papers: Nixon, 1971*, pp. 40–41.

<sup>2</sup> On August 9, 1971, the President made the Secretary of Defense a member following extended discussions that are highlighted in *Foreign Relations, 1969–1976*, volume III, Foreign Economic Policy, 1969–1972, International Monetary Policy, 1969–1972, Documents 49 and 61.

2. Provide a clear top level focus for the full range of international economic policy issues; deal with international economic policies—including trade, investment, balance of payments, finance—as a coherent whole; and consider the international economic aspects of essentially foreign policy issues, such as foreign aid and defense, under the general policy guidance of the National Security Council.<sup>3</sup>

3. Maintain close coordination with basic foreign policy objectives.

An Executive Director will be designated to help the Council in its operations.<sup>4</sup> He will organize the general secretariat of the Council and be responsible for the staff work. He will have ready access to the President and will initiate projects and call upon staff resources from throughout the Government to augment his own small staff. In collaboration with the members of the Council or designated individuals at the senior political appointee level and pursuant to the directions of the President, his responsibilities will include:

—Develop the agenda and supporting materials for Council meetings and review all papers going to the Council.

—Help develop a sense of direction, strategy and relationship of the parts to the whole of this problem area.

—Establish a work program, including topics, timing and identification of individual assignments and set up task groups on special topics.

An Operations Group will be established, similar to the present Under Secretaries Group but replacing the work of that Group insofar

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<sup>3</sup> In a November 18, 1970 memorandum to Shultz, Kissinger stated that he fully concurred in the “basic thrust” of the draft directive setting up the CIEP but had “one substantive problem”—that “it be made clear that general policy guidance on defense and foreign aid will continue to be given by the National Security Council.” At Kissinger’s request the latter part of this paragraph was added. (National Archives, Nixon Presidential Materials, NSC Files, Agency Files, Box 218, Council on International Economic Policy (CIEP), Oct 70–31 Jul 71)

<sup>4</sup> In February Nixon appointed Peter G. Peterson the first Executive Director with the title Assistant to the President for International Economic Affairs, a position he held until February 1972, when he replaced Stans as Secretary of Commerce. Flanigan succeeded Peterson as Executive Director. The possibility of moving Peterson to Commerce was considered as early as April 1971 so that Stans could become Chairman of the Finance Committee to Re-Elect the President. (*The Haldeman Diaries: Multimedia Edition*) The decision was made in mid-November, according to Haldeman’s diary, following a discussion on November 11 of the “Peterson problem and the fact that Peterson says a lot but concludes nothing.” The President “said he felt we should never have set up the Peterson deal to begin with. We should have just put an economic man in the NSC and set up a division there. He thinks that it’s essential now that we have to move Peterson out and put Flanigan in that role, and told me to talk with the Attorney General today about the necessity of doing that and getting Stans out quickly, so we can move Peterson to Commerce.” (Ibid.)

as international economic policy is concerned. Its responsibilities will include:

- Follow up on decisions reached.
- Coordination of actions of the Government where that is necessary.
- Review of operating problems arising out of actions of other Governments or outstanding international economic developments.

The State Department will chair the Operations Group.

Standing or special subcommittees may be added from time to time. To the extent practical the Council shall bring within its structure those existing committees or groups presently dealing within the scope of the Council's work as set forth above.<sup>5</sup>

**Richard Nixon**

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<sup>5</sup> In CIEP Decision Memorandum No. 3, April 8, Nixon provided detailed direction for the operation of the CIEP and established a Review Group to review papers for submission to the Council and to assign action to the Operations Group. For text of the memorandum and further documentation on the organization and operation of the CIEP, see *Foreign Relations, 1969–1976*, volume III, Foreign Economic Policy; International Economic Policy, Document 61.

Additional documentation is in the National Archives, Nixon Presidential Materials, NSC Files, Agency Files, Box 218–219, Council on International Economic Policy (CIEP). For a discussion of the respective responsibilities of the CIEP and NSC staffs, see Document 147.

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**375. Memorandum From C. Fred Bergsten of the Operations Staff,  
National Security Council to the President's Deputy  
Assistant for National Security Affairs (Haig)<sup>1</sup>**

Washington, January 26, 1971.

Per your request, I called Secretary Stans to inform him how HAK wanted to handle the bureaucratic issue between State and Commerce over our commercial representation abroad. You will recall that HAK wanted to send Stans' proposal<sup>2</sup> to State for comment and then put the package to the President.

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, NSC Files, Agency Files, Box 213, Commerce, Vol. II. No classification marking. Sent for information.

<sup>2</sup> Document 371.

Stans informed me that the issue had been overtaken by events. First, State and Commerce are negotiating on the Commerce proposals. Second, Haldeman has raised the issue with the President who indicated that he wants the matter referred to the new Peterson Council. Stans is relatively happy with the progress along these lines, and so there is no need for us to take any further action from our side.

Since I have always advocated that we stay out of the issue as much as possible, I jumped at the opportunity and replied that we would in fact do nothing. I presume that HAK is not so interested in getting involved in this issue that he would wish to perpetuate his role in it, after the chief protagonist has withdrawn his request “for counsel on how to handle it.” (It is also clear that the protagonist goes various places for counsel.)<sup>3</sup>

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<sup>3</sup> Haig wrote “OK” to Bergsten at the top of the memorandum.

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### **376. Letter From Secretary of State Rogers to Secretary of Commerce Stans<sup>1</sup>**

Washington, November 22, 1971.

Dear Maury:

As you are aware, following our meeting in June a year ago on the subject of improving Executive Branch handling of U.S. international commercial activities, our two staffs have held extensive discussions in an effort to work out a program which could be agreed upon by our two departments. I understand that a series of meetings have taken place between Bill Macomber and Rocco Siciliano on this subject, and more recently Bill held a follow-on discussion with Jim Lynn.<sup>2</sup> Most recently both Jack Irwin and Bill Hall<sup>3</sup> have met with you at lunch to go over various aspects of the relations between our two departments. Phil Trezise and Harold Scott<sup>4</sup> have also been involved and are presently focussing on

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<sup>1</sup> Source: National Archives, RG 59, Central Files 1970–73, ORG 1 COM–STATE. No classification marking.

<sup>2</sup> James T. Lynn, Under Secretary of Commerce.

<sup>3</sup> William O. Hall, Director General of the Foreign Service.

<sup>4</sup> Harold B. Scott, Deputy Assistant Secretary of Commerce and Director, Bureau of International Commerce.

following up the Cresap, McCormick and Paget survey on business attitudes, a copy of which you sent me on September 17, 1971.<sup>5</sup>

Our two departments have apparently not been able to come to an agreement. Phil Trezise and Harold Scott have tentatively agreed to undertake a joint review of the activities and responsibilities of commercial officers in our missions abroad. The review would draw on, but go considerably beyond the Cresap survey. Its goal would be to ensure that our priorities are correct and that we are doing the maximum to provide timely and effective assistance to the business community. I am heartily in favor of this approach and hope that we can push it forward rapidly. I am most interested in taking whatever steps are necessary and appropriate to improve the contribution of the Foreign Commercial Service to our foreign trade efforts.

Because of the continuing discussions between our representatives during this past year, I have not formally answered your letter of September 8, 1970<sup>6</sup> which set forth fourteen recommendations. However, because agreement has not yet been reached, and particularly in the light of the need to provide Administration comments on the Magnuson Bill, I wish to set out clearly for the record my position with respect to your fourteen points in the hope that this answer will help move us toward a conclusion.<sup>7</sup> Although I address each point individually, I propose to act, to the extent of our agreement, on the program as a whole. It is important that we project a coordinated and overall view of the new program.

My comments are as follows:

1. *The Secretary of State should announce publicly that commercial work is the most urgent work of the Foreign Service.*

*Comment:* I agree with you that commercial work is a very important task of the Foreign Service. I cannot agree that it is *the* most ur-

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<sup>5</sup> The report on "Business Attitudes Regarding United States International Commercial Services" was commissioned by the Commerce Department; the Department of State did not participate in the study. A copy of the report's recommendations is attached to a June 8 memorandum from Thomas Stern, Deputy Assistant Secretary of State for Organization and Management, to Macomber. (National Archives, RG 59, Office of the Deputy Under Secretary of State for Management, Management Subject Files: Lot 76 D 235, E—Bureau of Economic Affairs)

<sup>6</sup> Document 371.

<sup>7</sup> In a November 22 memorandum to Rogers recommending that he sign this letter, Irwin stated that efforts by Macomber and Trezise to work out an agreed program with Commerce had foundered because Stans had rejected the various compromises agreed to by his colleagues and seemed to want a formal reply from Rogers to his 14 points. Irwin also pointed out that the Magnuson Bill (S. 2754) would "accomplish much of what Stans has been seeking from the beginning, namely the transfer of the foreign commercial service from State to Commerce." (National Archives, RG 59, Central Files 1970-73, ORG 1 COM-STATE)

gent work, although in some posts at some times it clearly may be. In the coming weeks and months, my colleagues and I will continue to emphasize publicly the importance the Department attaches to our foreign trade efforts. Perhaps a joint communication to our ambassadors in the field might be utilized to make known to them our personal interest in their efforts to support our foreign commercial goals. We will consult with you on the substance of such a communication.

2. *Appointment of five roving ambassadors nominated by and operating under the direction of the Secretary of Commerce.*

*Comment:* I believe that a convincing case has not been made for a permanent requirement for roving commercial ambassadors. They would tend to be redundant and to undercut the authority of our country ambassadors, who should be the most effective officials which this government has representing it abroad for commercial as well as other matters. This judgment does not apply to highly technical fields in which exceptions have been made for temporary periods or limited functions. The appointment of Ambassador Kennedy and the Pritzlaff Mission are recent examples.

In short, I am not opposed to the temporary appointment of a special ambassador when required for particular negotiations or to dramatize some initiative we might undertake in the commercial field, but I am unconvinced of the need for a standing commercial ambassador corps.

In any event, I would strongly object to having such ambassadors nominated by and operating under the direction of the Secretary of Commerce. As I indicated in my letter to you of May 15, 1970, and in the memorandum which I sent to the President,<sup>8</sup> the Secretary of State's authority and responsibility for the nation's foreign relations should not be fragmented or impaired in the manner you suggest.

3. *Commercial positions abroad should be elevated above the level of importance and prestige of all other functions.*

*Comment:* To some extent I have answered this point in my answer to your first point. I do agree, however, that the commercial function is an important one. I agree that the high responsibilities of commercial officers in overseas posts should be made clear. Their importance should be reflected in the rank and quality of officers assigned to such positions. Requirements will vary from post to post. Rather than getting bogged down, however, in a theoretical argument over which functions are more important in which posts, I suggest that Phil Trezise and

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<sup>8</sup> See Document 363 and footnote 1 thereto.

Harold Scott review these positions on a case-by-case basis to determine what specific changes or improvements we should make.

4. *Increase number of commercial personnel, and subordinate economic functions to commercial.*

*Comment:* Commercial and economic functions were integrated as a consequence of the 1967 agreement between the Secretaries of Commerce and State. Embassy staffing generally reflects the parity of these functions. Where this is not the case, we should work cooperatively to make adjustments, but neither function should automatically be subordinated. The case-by-case review I have suggested in answer to point 3 above will tell us what specific adjustments should be made.

5. *Opportunity for commercial officers to become ambassadors; increase number of ambassadors with commercial experience; Secretary of Commerce should be consulted on State nominations of all Ambassadors and DCMs.*

*Comment:* I concur that commercial officers should be given the opportunity to become ambassadors. Obviously, there are posts to which the assignment of an ambassador with a commercial/economic background would be particularly appropriate. In support of this proposal, Bill Macomber wrote to Rocco Siciliano on August 14, 1970<sup>9</sup> stating that the Office of Personnel has been instructed to ensure that all commercial/economic officers be given the same consideration for assignment to ambassador and DCM positions as other officers in the Foreign Service. As you know, many outside ambassadorial appointees have strong commercial and business backgrounds. We will be most happy to discuss with you any specific recommendations for ambassadorial appointments which you would like to make at any time. I am sure that upon reflection you will agree that I could not possibly accept a veto power from Commerce or any other Department over my recommendations of Ambassadors to the President or over my assignments of Deputy Chiefs of Mission.

6. *Greater voice for Commerce in the selection and appointment of commercial officers.*

*Comment:* I agree that the Department of Commerce should have important participation in the selection and appointment of commercial officers. Commerce already enjoys an effective role in this process, to the extent of having a Department of Commerce personnel officer

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<sup>9</sup> Not found.

assigned to our personnel office. We are quite agreeable to discussing this aspect further with you.

7. *Develop an overall program for increasing the effectiveness of overseas services to American business.*

*Comment:* I agree with you on this point, as well as with your observation that the personal leadership of our ambassadors is extremely important. The proposed State/Commerce study should provide the best means of identifying those areas in which our overseas missions may be deficient as well as recommendations for remedial or additional action.

8. *Rotational assignments for commercial officers with American industry. Recruitment of personnel with actual business experience.*

*Comment:* I agree with this proposal. We are developing a practical program to achieve this goal and hope to place commercial officers, through the President's Executive Interchange Program, in business firms with international interests. Foreign Service recruiting officers have recently begun to visit graduate schools of business to encourage candidates to enter the Foreign Service as commercial officers. Efforts have also been made, including advertisements in trade and professional journals, to attract qualified personnel with actual business experience. Here again the State/Commerce study should provide us with additional insight as to how these activities can be augmented.

9. *Rotational assignment at Commerce.*

*Comment:* There is no doubt in my mind that it would be most useful to seek to increase the number of rotational assignments with Commerce. The value of these assignments has been clearly established.

10. *Extended tours of duty for commercial officers.*

*Comment:* I agree that commercial assignments should be directed to assuring maximum operational effectiveness of officers involved. To this end, we have already extended the average length of tour in major posts. In the smaller, hardship posts long tours are often not practical for a variety of reasons. I am agreeable, in principle, to making exceptions to the length-of-tour limits in the interests of greater efficiency in the commercial field wherever such exceptions prove practical.

11. *Frequent meetings of ambassadors with American business and host government officials.*

*Comment:* I share your judgment regarding the importance of regular contacts with both the American business community and government officials. This is a point we could cover in the joint communication to the field I referred to under point 1 above.

12. *Regular regional commercial conferences, planned and chaired by Commerce.*

*Comment:* Regional economic/commercial conferences should continue, if possible at an increased pace, because they provide a forum for an essential exchange between Washington and the field. I believe that the planning, financing, and implementing of these conferences should be jointly shared by our departments. Depending on the circumstances, there may be a particular reason for a representative of one department rather than the other to chair the meeting. Logically, the senior official present should chair the meeting. I agree that ambassadors should participate in the conferences, and we shall encourage them to become more involved.

13. *Institutionalized State/Commerce relationship in Washington.*

*Comment:* Existing channels of communication between the two departments should be sufficient to carry out the consultation functions. The main points of contact are the Assistant Secretary of State for Economic Affairs and the Assistant Secretary of Commerce for Domestic and International Business. The respective heads of State's Office of Commercial Affairs and Business Activities (Bruce Ladd) and the Director of Commerce's Bureau of International Commerce (Bob Beshar) provide the ideal focus for continuing coordination. I believe the proposed joint State/Commerce study should address itself to the question of whether more formal contacts are necessary.

14. *Directors of U.S. Trade Centers should be transferred to the Department of Commerce.*

*Comment:* The Department of Commerce already has an effective voice in the selection of Trade Center Directors. Trade Centers, like other U.S. programs, must be responsible to the authority of the ambassadors in any given country. Little would be gained in diffusing that authority. Subject to this qualification, we are entirely willing to discuss further ways for Commerce to give more direct guidance for Trade Center operations, given their highly specialized nature, as well as any other practical improvements in these operations you would like to suggest.

You will note that we are in essential agreement on most of the fourteen points. Insofar as we are in agreement, we can and should proceed to early implementation of the indicated improvements, treating them as an integral part of an overall program to improve our handling of international commercial activities.

Jack Irwin told me that in his luncheon with you he took the liberty of suggesting that he be available to you at your convenience to discuss further your letter of September 8, 1970 and this answer. I am

happy to have him do so, and, of course, I am available. Jack, Bill Macomber and Phil Trezise will also be prepared to work on details with Jim Lynn and Harold Scott.

I trust that in this way we will be able to iron out any remaining differences between us.<sup>10</sup>

With best personal regards,  
Sincerely,

**William P. Rogers**

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<sup>10</sup> Stans replied to Rogers in a December 23 letter that “the time has come for a Presidential decision that the strengthening and upgrading of U.S. commercial representation abroad be accomplished within the Executive Branch promptly and as a top priority project” and thus he had written the President urging that course of action (Document 377).

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**377. Memorandum From Secretary of Commerce Stans to President Nixon<sup>1</sup>**

Washington, December 23, 1971.

SUBJECT

U.S. Foreign Commercial Services

This is a subject which we discussed early in your Administration. Since then, the report of the Williams Commission identifies it as a major problem: that our foreign policy and foreign representation give insufficient weight to our business interests overseas.

In this connection, I suggested in 1969 the advantages of transferring the commercial and economic functions of the Foreign Service to the Department of Commerce and you encouraged me to pursue the matter. Since then, the Departments of Commerce and State have discussed this and related matters extensively, but without agreement (Enclosure A).<sup>2</sup> In my judgment, satisfactory commercial representation can be achieved through the Foreign Service only if the State Department recognizes and announces publicly that, except in extraordinary cases, commercial work is its most urgent task. Anything less will not

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, White House Central Files, Subject Files, Box 3, Ex FG 999. Official Use Only.

<sup>2</sup> Documents 371 and 376.

accomplish the change of attitude needed in the Foreign Service. Our discussions with the State Department make it clear, however, that they will resist a shift in emphasis and a restructuring of the degree necessary, and that acceptable commercial representation abroad will be obtained only by new legislation or executive order.

Legislation to transfer the commercial and economic responsibilities of the Foreign Service to the Department of Commerce was recently introduced by Senator Magnuson in S. 2754. This bill would establish in the Department of Commerce an "International Commercial Service" to provide economic and commercial representation in our diplomatic missions throughout the world. The bill would also specifically authorize the Secretary of Commerce to engage in a broad range of export expansion activities.

In my judgment S. 2754 affords an attractive opportunity and vehicle for a Presidential decision to strengthen and upgrade our commercial services and representation abroad. I request your direction that the Administration support and testify favorably on S. 2754.

#### I.

During the past decade, we have witnessed the steady erosion of our position in world trade. This erosion has culminated in a projected trade deficit of perhaps as much as \$2 billion for the current calendar year. The deterioration of our international competitive position is attributable to many reasons, but a significant factor is the inadequacy of our commercial representation abroad. Although we are the major trading nation in the world, we maintain overseas a smaller number of commercial and trade promotion personnel than do other nations, and we afford those commercial representatives roles of only minor importance and little prestige.

There is increasing and voluminous evidence that the U.S. business community lacks confidence in and respect for the Government's foreign commercial services. U.S. business needs and wants aggressive Government support overseas. The Williams Commission report confirms the need for an expanded and expert commercial service with increased status and importance. The National Export Expansion Council adopted a resolution in March urging the creation of a business-oriented Foreign Commerce Corps. The Ash Council made a similar recommendation last November, and a special study by Cresap, McCormick and Paget further documented the need for more effective foreign representation of U.S. business interests. The U.S. Chamber of Commerce in Asia supports the proposition and calls for an era of "economic diplomacy" for the United States.

Our foreign competitors have recognized—to their great competitive advantage—the primarily commercial responsibilities and func-

tions of their Foreign Service. For example, the Duncan Report on British Overseas Representation stated that “Commercial work is the most urgent task of (British) overseas representatives.” The Duncan Report went on to state that “it seems right that it (commercial work) should absorb more of the Services resources than any other function.” The views of our foreign competitors on the dignity and significance of their commercial representation contrast markedly to the inadequate position, training and background of U.S. Foreign Service commercial personnel. It is indeed ironic that as we enter a generation of peace in which competition between nations will take the form of commercial endeavor rather than cannon shot, the Department of Commerce, which is the agency primarily charged with important international trade and investment responsibilities, lacks an official overseas service.

Presidential support of S. 2754 or similar legislation would assure the strengthening and upgrading of U.S. commercial representation abroad. In a new era of trade negotiations and trade competition, I believe that this should be a matter of top priority.

## II.

If you consider it inappropriate to support or propose legislation to create a foreign commercial service within the Commerce Department, or if in your judgment legislation of this sort would not be forthcoming from the Congress, I strongly urge that you direct by executive order the transfer of the commercial and economic functions of the Foreign Service to the Department of Commerce. There are direct precedents for this action in the creation of the Foreign Agriculture Service in 1954, and the earlier establishment of independent representation overseas for both the foreign aid program and the U.S. Information Agency. Detailed proposals and procedures for such a realignment of interdepartmental responsibilities have been submitted to Dr. Kissinger (Enclosure B).<sup>3</sup> None of these would affect the position of the Ambassador as the Chief of Mission in each country.

Announcement of a favorable decision on S. 2754 or the realignment of international commercial responsibilities would be dramatic proof of the trade expansionist thrust of the New Economic Policy. It would help revitalize the leadership and enthusiasm of the business community and offer a timely response to Congressional unrest caused by the present bleak trade outlook.

**Maurice H. Stans**

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<sup>3</sup> Document 362.

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**378. Memorandum From Secretary of State Rogers to President Nixon<sup>1</sup>**

Washington, January 11, 1972.

## SUBJECT

Secretary Stans' Memorandum of December 23, 1971

I refer to Secretary Stans' memorandum of December 23, 1971,<sup>2</sup> to you in which he renews his recommendation that the commercial and economic functions of the Foreign Service be supplanted by a Foreign Commercial Service within the Department of Commerce, and, accordingly, that the Administration support S. 2754, which was recently introduced by Senator Magnuson. For the following reasons, I continue strongly to oppose this recommendation:

1. Contrary to Secretary Stans' assertion that what he terms the "inadequacy of our commercial representation abroad" has been a significant factor in our trade deficit, it is my understanding that the major factors have been our domestic inflation and an over-valued dollar. With the corrections in the situation which you have now achieved, plus our immediate and longer-term efforts to negotiate certain changes in international trade policies, a major favorable shift in our trade balance should take place over the next few years.

2. The foregoing, of course, does not diminish the importance of our official USG commercial representation abroad and increasing its effectiveness wherever possible. In this I fully agree with Secretary Stans and, as in the past, am prepared to consider the assignment to appropriate positions abroad of any and all qualified nominees from the Department of Commerce whom Secretary Stans is able to furnish. I would also welcome whatever strengthening and improvement Secretary Stans is able to make in the Department of Commerce which, under our present arrangements, has the primary responsibility of "backstopping" all of our trade-promotion activities abroad, whether carried out by personnel specifically charged with this task or by Ambassadors, Consular Officers or other Foreign Service personnel. I look on the job not as being just that of specialized personnel but also that of the entire Foreign Service whenever and however appropriate. This is being reemphasized to all of our posts.

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<sup>1</sup> Source: National Archives, RG 59, Central Files 1970-73, ORG 1 COM-STATE. No classification marking.

<sup>2</sup> Document 377.

3. In this connection, it is my belief that, however active our USG personnel should and must be as “salesmen” of US products abroad, the primary impetus must come from American business itself. The large firms who produce the major part of our exports normally have competent staffs dealing with their foreign business, and these firms generally deal with the Ambassador or DCM on broad policy matters. It is the smaller and medium-size American firms that rely more on our economic/commercial officers for advice and assistance. In this connection, I believe much more can be done than has been done in the past to encourage such firms to become more “export minded.” It is my hope that the Department of Commerce can increase and make its efforts in this field in the United States even more effective. We will do all we can to support this effort through the Department in Washington and our missions overseas.

4. With respect to the “economic functions” abroad of the Foreign Service, which Secretary Stans proposes also be transferred to the Department of Commerce, it must be noted that the Foreign Service carries on a wide range of economic functions entirely outside the purview of the Department of Commerce. These involve a wide range of USG interests and activities, such as those of Labor, Transportation, Interior, Agriculture, Treasury, General Services Administration, Ex-Im Bank, OEP, AEC, CAB, FAA, etc. To attempt to differentiate those economic functions within the purview of the Department of Commerce from the wide range of other economic functions of the Foreign Service would be an impossible task and, in any event, to the degree that it could be accomplished would unquestionably bring about unnecessary duplication and inefficient and costly use of manpower.

5. Secretary Stans underlines the importance the British and other foreign competitors attach to their overseas commercial work, but he fails to note that the British moved from an independent commercial service under their Board of Trade to a unified foreign service under their Foreign Office, that is, in precisely the opposite direction from that advocated by Secretary Stans. The Canadians are now in the process of changing to a unified foreign service. In both cases the decision to unify was taken because a separate commercial service not only brought organizational inefficiencies, but also caused ambassadors and senior diplomatic officers to give insufficient attention to business interests. The United States itself deliberately moved from a fragmented to a unified service in 1939. In fact, nearly every other major trading country organizes its foreign commercial service as we do.

6. With respect to weight of effort, I might note that the Foreign Service now has 486 economic and commercial positions abroad as compared with 477 positions for all political or political related positions. Neither of these figures includes ambassadors, DCMs or

principal consular officers who in many posts devote the major part of their effort to economic/commercial matters.

7. I was not persuaded by the citations Secretary Stans gave in his memorandum in favor of his position for a separate overseas commercial service. The National Export Expansion Council is an organ created solely by the Department of Commerce, and its coordinator is the Director of the Commerce Department's Bureau of International Commerce. The independent consulting firm cited presumably is Cre-sap, McCormick and Paget which, under the direction of Townsend Hoopes, the former Deputy Assistant Secretary of Defense for International Affairs and then Under Secretary of the Air Force in the Johnson Administration, made a survey of the State Department's Foreign Service. This survey was contracted and paid for by the Department of Commerce without advance consultation with the Department of State. The Williams Commission's recommendation was that our commercial services be given greater status and importance, but *not* that these services be transferred to the Department of Commerce.

8. In spite of the large number of letters and other expressions of appreciation for assistance in economic/commercial matters we consistently receive from American business circles, I do not deny that there are cases of dissatisfaction. In our experience those cases arise primarily where there are competitive American interests involved, and thus the Foreign Service post is inhibited in promoting the interests of any particular American firm. This problem is inherent in our competitive economy and is often not present to the same degree among our foreign competitors, who are more likely to be able officially to promote the interests of a single "chosen instrument."

9. I am confident State and Commerce can work together closely and effectively under the present organization of the Foreign Service, and that the Secretary of Commerce and I can cooperate to ensure that we are doing the maximum to provide timely and effective assistance to the business community. Your intention to nominate Willis C. Armstrong—who is now President of the U.S. Council of the International Chamber of Commerce—as Assistant Secretary of State for Economic Affairs should be of great value in this connection.

**William P. Rogers**

**379. Memorandum From Robert Hormats of the Operations Staff, National Security Council to the President's Assistant for National Security Affairs (Kissinger)<sup>1</sup>**

Washington, January 11, 1972.

SUBJECT

Position on Proposed Export Expansion Act

On January 24 hearings will begin on the "Export Expansion Act of 1971." This bill, introduced by Senator Magnuson, proposes a number of measures to strengthen U.S. export performance. In so doing, it calls for additional measures to expand exports and casts doubt on the effectiveness of the Administration's own comprehensive export expansion efforts (including the August 15 package and subsequent trade and monetary agreements). The attached memorandum to Shultz (Tab A)<sup>2</sup> indicates that you consider the appropriate Administration position to be one of opposition to the Magnuson bill. State, OMB, and the CIEP staff also agree to this posture.

*Major issue*

There is, however, one major bureaucratic issue of which you should be aware. The Magnuson bill proposes to transfer responsibility for international commercial and economic matters from the Department of State to Commerce and create a new international commercial service in Commerce. Stans supports this measure. State (Tab B)<sup>3</sup> and OMB oppose.

We have been through this before. Although the proposed transfer would give more emphasis to commercial and economic matters and probably mean that better personnel could be recruited for export promotional activities, it would remove a major part of State's functions in the international economic field and give them to an agency which historically has taken a harder line on such issues. Because our relations with the Common Market, Canada, and Japan will have an increasingly large and sensitive economic component which will have important political implications, such a transfer at this time would be particularly risky in foreign policy terms. And, while State's line may frequently be too "soft" on such issues, in the next several months it will be preferable to start out with a "soft line," which could subsequently be

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, NSC Files, Subject Files, Box 402, Trade, Vol. V. No classification marking.

<sup>2</sup> Not printed.

<sup>3</sup> Tab B is printed as Document 378.

hardened by the other agencies, rather than for Commerce to push economic interests too hard at the outset and thus place you in the position of having to take on Commerce *and* Treasury in order to bring about a line more consistent with our foreign policy interests.

The memorandum for Shultz at Tab A indicates that you favor an Administration position opposing the Magnuson bill and that, on the specific question of the transfer of commercial and economic matters from State to Commerce, you favor retaining these functions in State.

*Recommendation*

That you sign the memorandum to George Shultz at Tab A.<sup>4</sup>

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<sup>4</sup> Kissinger did not sign the memorandum to Shultz and wrote at the top of Horvats' memorandum, "I want to stay out of this."

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**380. Conversation Among President Nixon, the Director of the Office of Management and Budget (Shultz), and the President's Assistant for Domestic Affairs (Ehrlichman)<sup>1</sup>**

Washington, January 18, 1972.

[Omitted here is discussion of a number of issues, including the West Coast dock strike, the federal budget, and Peter Peterson's appointment to head the Department of Commerce.]

Shultz: Well I have one request for a position, that I sent you. But it has to do with the Magnuson Bill on export expansion, which we view as a bill that is not designed to go anywhere but to sort of mess around in the area. And we have been working with the agencies trying to get an administration position on it.

[Omitted here is Shultz's discussion of the first part of the Magnuson Bill, which, he said, "has all sorts of devices and gimmicks that would subsidize exports;" he indicated that OMB's position was to say

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, White House Tapes, Conversation among Nixon, Shultz, and Ehrlichman, January 18, 1972, Oval Office, Conversation No. 650-12. No classification marking. The editors transcribed the portions of the conversation printed here specifically for this volume. The President met with Shultz and Ehrlichman in the Oval Office from 12:33 to 2:29 p.m. (Ibid., White House Central Files, President's Daily Diary)

we have studies and negotiations under way concerning that part of the legislation and we should see what comes out of them before taking a position.]

Shultz: Second part has to do with a proposal in this bill to transfer out of the State Department all of the commercial business representational and diplomatic work and put it in the Commerce Department. This is a bill that Senator Magnuson has up and we have to testify, and the reason I'm bringing it up now is that the testimony is presumably scheduled to begin on Monday, so that it's right on us. Now, Secretary Stans, of course, is strongly in favor of it. Rogers, of course, is strongly against it.

Nixon: Unalterably opposed to it.

Shultz: My own feeling—

Nixon: My own feeling is that it ought to pass, but it's going to be a hell of a problem. It's a hell of a problem for me to go ahead and fight the Secretary of State on a matter of this sort of thing. Just hope to God that the Congress overrules them. State's been wrong on this for years. I don't know of one man, a soul that's worth a goddamn as an economic adviser. Not one. Not one at all.

Shultz: Well, I think our question is, what position should we take on the bill, since State and Commerce, among others, will be testifying. They will, we'll need a viewpoint.

Ehrlichman: Commerce will have the edge in Magnuson's committee, won't they?

Shultz: Well, I think that whatever position we take, if we were to take the position that we oppose it, nevertheless there will be a stream of witnesses and a design to develop the point that the State Department is not doing an adequate job of representing commercial interests, so I think there'll be a lot of pressure on State. Now our, my feeling—I'll tell you what I think, my view on the thing is, first of all that there is a real big problem in the State Department in the way this has been handled, and so the fact that State is going to get bloodied up a little bit in these hearings—

Nixon: Is good.

Shultz: —is good.

Nixon: That's right. That's what I—

Shultz: And that we should use the occasion through an internal effort similar to the one we did on intelligence to put a heavy pressure on State to change itself and in the process of conducting that effort not rule out the movement of or the restructuring in one way or another of not only how the commercial things are handled. Treasury of course has a big interest in this, and so on, so that we look at the way the U.S. represents itself in a given country as a mission, what the roles

of respective departments are. Well, if we say explicitly in our testimony that while we, while we would not favor the passage of this transfer now, that we, we want everybody to know that we are undertaking this examination because we do feel there are genuine problems there. That is sort of the way we have drafted it, but I know your feelings about it, I—

Nixon: You want me to say we're studying it then?

Ehrlichman: Rogers will want [unclear]

Shultz: He will agree to it. Stans won't. Stans wants to go gung-ho to change it.

Nixon: Well look, the way to go is to—Stans has to understand [unclear] the way to do it is to get yourself in a little, maybe position there. I'm surprised Rogers would agree to that. But then to push that damn committee to kick State in the ass. That's what has to be done. I totally disagree with State. I just want my position understood. Totally. They're dead wrong. They've always been wrong. The Department is totally inadequate in this field. So we begin with that. Now the question is, though, how do we accomplish it without breaking too much china in the cabinet. And the way you accomplish it basically is to let the Congress do the dirty work.

[Omitted here is further discussion between Nixon, Ehrlichman, and Shultz.]

Shultz: Well, we could, we could stake out an administration position in favor of that transfer.

Nixon: Well, I'll tell you, I'd like for you, let me put it this way, George, we have a difficult problem here as we have in all our relations with all of our [unclear] bosses, particularly here between State and Commerce. It's just tight as a pick. You know what my belief is. My belief is that I'd put the whole damn thing out of State and put it in Commerce or make them take them, Commerce attachés. However—so therefore lean strongly in that direction but do what's possible. See what I mean? We'll even have confrontation on the thing. If we can avoid it, fine. But if you've got to have one, I'll lean that way, I'll lean that way if we have to. But I guess you're going to have to have one.

Shultz: Well, the only way out of a major confrontation in the testimony is the device of a study, but the study needs to be positioned so that the, so that it's serious and so that the scope is such that it isn't just necessarily going to rubber stamp the current situation, and it's clear in the format of the study that that's the case.

[unclear exchange]

Nixon: What do you think, John?

Ehrlichman: You say Rogers agrees with that. That surprises me.

Shultz: Well it does. I think Rogers sees that he's on the defensive and—

Nixon: I'll tell you one ally you've got there is Connally.

Shultz: Well Connally bought this approach. I talked it over with him before we—

Nixon: The study?

Shultz: The approach, yes the study.

Nixon: All right, study—have the study come up against State. Fair enough? Okay. And I'll back it.

Shultz: Okay. I would regard this [unclear exchange] in OMB if we were to do it internally, and I believe probably that's the best way to do it, as a very serious proposition. And we worked the intelligence community over very hard.

Nixon: All right, I know.

Shultz: And I think we can do that if we have your support.

Nixon: You're exactly right.<sup>2</sup>

[Omitted here is discussion of a number of other subjects, including Chile and Salvador Allende, the Department of Agriculture, the timber industry, tax legislation, declassification of government documents, narcotics interdiction, busing, several administration officials, and the Department of State (including comments that are in Document 340).]

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<sup>2</sup> The Magnuson bill was not enacted. Stans resigned as Commerce Secretary in a January 17 letter to the President. His resignation would become effective February 15.

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### 381. Editorial Note

The House Committee on Foreign Affairs and its Subcommittee on Foreign Economic Policy held hearings on the organization of the Executive Branch for the conduct of foreign economic policy on June 20 and 22, July 25, August 2, and September 19, 1972. Testimony was provided by Secretary of State William Rogers and former Deputy Assistant Secretary of State Sidney Weintraub, Secretary of Commerce Peter Peterson, Special Representative for Trade Negotiations William D. Eberle and former Special Representative William Roth, former Secretary of the Treasury Douglas Dillon and former Under Secretary of the Treasury Robert Roosa, Harvard professor and former Deputy Special Assistant to the President Francis Bator, and Yale professor and former

Deputy Assistant Secretary of State Richard Cooper. Their testimony together with statements and memoranda submitted for the record were published as a committee print: *U.S. Foreign Economic Policy: Implications for the Organization of the Executive Branch* (Washington: U.S. Government Printing Office, 1972).

Following his testimony on June 20, Secretary Rogers informed President Nixon in a memorandum of the same date that, in response to questioning from several Democratic members, he had "assured the Committee that the Department was up-grading its economic functions" but took the position that, "in general, the Administration's foreign economic policy machinery was working well." (National Archives, RG 59, Executive Secretariat, President's Evening Reading: Lot 74 D 164)