Informational Report of the Committee
on International Economic Organizations—
Michael S. Shaw, Chairman

The Economic and Social Council
of the
United Nations (ECOSOC)

The major preoccupation of ECOSOC this summer will be the preparation for the General Assembly in the fall, and more particularly, a Special Session of the General Assembly to be held on September 1st through 12th in New York. It promises to be an eventful Session. Called primarily at the request of the “Group of 77,” as the developing nations groups is known, the Session will attempt to set new strategies for the implementation of the restructuring of the role of the United Nations in the establishment of the “New International Economic Order.” There will be a more active participation by the World Body in establishing patterns which could affect international trade, as well as monetary and economic international intercourse in the coming decades.

The Preparatory Committee for the Special Session, which has its initiatives supplied by Algeria, is meeting in late June, in New York. The preliminary evaluation of the agenda shows that the following topics will be highlighted.

1. **International Trade** in general, with accent on monetary controls.
2. **Transfer of Resources**, this will include the creation of an Index of prices, commodities and raw materials and a study on the impact of prices and supply on export and import.
3. **Science and Technology**, the intent here is to provide programs for the developing countries, giving them access to new technology and advance.
4. **Industrialization**, particularly for the developing areas.
5. **The Restructuring of the United Nations Economic and Social Sectors**, with emphasis on implementing the “New International Economic Order” in accordance with the Declaration and Programs of Action taken in August of 1974.

Although any resolutions of the Council itself are in most cases hortatory, they provide insight into the policies and posture of various world groups, which frequently find implementation in other forms, and as such, bear study and evaluation.
This Session must be viewed in conjunction with the initiatives taken by OPEC in attempting to tie in agreements for price and supply controls of a broad range of commodities as well as oil. While the United States rejected such moves, it is clear that the new Administration's strategies, as explained by Secretary Kissinger, will permit exploration of such a plan in some form this year. However, there would be the prospect of a long conflict in the Congress over the extent to which programs should be supported.

The State Department is well aware that such concepts in practice could have substantial impact on numerous free markets, causing increased costs to the United States and Free World consuming countries. Moreover, the viability of commodity agreements as a device for restructuring the world economy is also questioned by many from a moral as well as a political and economic viewpoint.

The developing nations strategy is not merely to have a system for stabilizing prices of world commodities, a posture taken by France at the Paris Conference this April, rather they hope to transfer wealth from the consuming nations by price-fixing of exports with hopefully similar dramatic results enjoyed by the OPEC countries in world oil markets.

The use of the Economic and Social Council as a public forum was well demonstrated at the World Food Conference in Rome last year with extensive media coverage. In essence then, the Economic and Social Council Sessions this fall and the Special Session of the General Assembly will be used, among other things, as a focal point for this strategy of cartelization of commodity with the primary meetings in September destined to test the extent of the United States commitments in this area.

The appointment and recent confirmation of Daniel P. Moynihan, former White House Aide and recent Ambassador to India, to the United Nations to replace Ambassador John Scali, appears to have met with a favorable response by the Economic and Social Council membership, particularly by the developing countries. Ambassador Scali's tenure has been exceptionally distinguished at a time when the United States has been evaluating, through several changes of Administration, its own role in the United Nations.

However, with the well-established, liberal credentials of Ambassador Designate Moynihan, the United States has put at the head of its United Nations delegation a personality well able to communicate with the developing nations group at a critical period of the United Nations' role in world affairs.

George F. Foley
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Export-Import Bank of the United States

Eximbank activity has recently been relatively slow, reflecting the general state of the world economy. Approvals are beginning to show, however, the more
liberal policy of Exim support announced by Chairman Casey on February 27 in response to the felt losses of U.S. exports as the result of reduced Exim support during the preceding months.

Under its new legislation, Exim has now reported to Congress in advance on five projects in which Exim proposed loan guarantees of $60 million or more. Under legislation passed last December, Exim must give advance notice of such projects by "at least 25 days of continuous session of the Congress," after which Exim can proceed unless the Congress acts to stop the project. Exim has gone ahead with three such projects:

- A loan of $111,900,000 to British Airways, covering 30 percent of United States exports in a major aircraft sale.
- A loan of $35 million plus a guarantee of $35 million, covering 40 percent of United States costs of Inco, Indonesia's nickel project in Sulawesi.
- A loan of $36 million plus a guarantee of $24 million, for 75 percent of the United States sale to Mexicana de Cobre's copper mine in Sonora State, Mexico.

Two other notices are now pending with the Congress:

- A proposed $75 million one-year loan to the Bank of Tokyo for the sale of about one-half of Japan's anticipated yearly cotton imports.
- Loans totalling $131,580,000 plus guarantees of $116,960,000, to finance 85 percent of the United States sales to Korea Electric Company for a nuclear power project.

The Korean project was submitted earlier and withdrawn for reconsideration of the financing, but also opponents pointed to Korea's non-signature on the nuclear non-proliferation treaty and to general questions on the adequacy of nuclear safeguards. Korea has since signed the treaty and the President has filed the missing report on safeguards. The Korean credit, however, may still be opposed on issues related to nuclear facilities in Korea.

The Korean project also illustrates the reach of Exim-bank's possible financing role under the policies enunciated in Chairman Casey's February 27 statement. Korea Electric will make a 10 percent down payment, and private sources will cover an added 5 percent of this $292.4 million sale. Exim believes that its 85 percent participation (45 percent by loan, 40 percent by guarantee of private credits) essential because of the size of the package and of heavy Canadian competition. The major credit package calls for a fifteen-year repayment schedule, beginning in 1981 (six months after anticipated start-up), with Exim's credit being repaid in the last 7 1/2 years, beginning in 1988. Interest on the Exim loan is at 8 1/2 percent, with a 1/2 percent commitment fee and a 1 percent guarantee fee. Other major credits have had guarantee fees as high as 1 1/2 percent, plus a 1/8 percent commitment fee on the guarantee.

In other recent developments, Exim has all but abandoned its local currency guarantee program. It is also now accepting applications for credits in
Romania, anticipating that Romania will soon join Yugoslavia and Poland as eligible Eastern European borrowers.

Stephen B. Ives, Jr.
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World Food Organizations

Implementing a suggestion made at last November's World Food Conference in Rome, the World Bank, FAO and the United Nations have formed a group to propose means for increasing food production in developing countries.

At a May meeting in Geneva, UN Secretary General Waldheim opened discussions leading to the establishment of a new fund for international agricultural development. During the next decade the fund would assist developing nations in raising their current $1.5 billion investment in agriculture to the $5 billion level estimated as essential by World Food Conference staff analysts.

In June the International Wheat Council will receive a feasibility report on the technical aspects of a grain reserve arrangement. The United States supports the concept of a grain reserve but apparently wants the commercial aspects of such an arrangement to be discussed in the upcoming Tokyo round of multilateral trade negotiations.

Alexander W. Sierck
Washington, D.C.

General Agreement on Tariffs and Trade

A. MTN Working Group Meetings

The "Tokyo Round" multilateral trade negotiation (MTN), being conducted in Geneva under GATT auspices, has proceeded actively since the commencement of the present negotiating phase in February 1975. The six working groups established at the February meeting of the ministerial-level Trade Negotiating Committee have held their initial meetings and most have begun work on substantive negotiations.

Non-Tariff Measures—During March the Non-Tariff Measures Group established subgroups to deal with subsidies and countervailing duties, quota restrictions and import licensing, product standards, and customs valuation, nomenclature and import facilities. Establishment of a subgroup on governmental procurement was deferred until OECD discussions in this area have proceeded further.

The subgroup on quota restrictions has entered the phase of active negotiations. At its meeting of April 22-30, the subgroup established a consultation procedure under which countries having trade interests in specific
quota restrictions or import licensing procedures will bring these to the attention of the country maintaining the restrictions or procedures and ask that country to justify their continuation. The results of these consultations are to be reported to the subgroup at its next session in September. The subgroup also discussed liberalization of import licensing procedures.

The standards subgroup, at its meeting on May 5, accepted as a basis for discussion the 1973 GATT draft “Code of Conduct for Preventing Technical Barriers to Trade.” Two basic principles of the draft code are, first, a commitment that product standards shall not be adopted or applied with the intention of raising obstacles to trade, and second, that efforts will be promoted to harmonize and apply internationally accepted product standards.

The subsidy/countervailing duty subgroup held its initial meeting June 3-5; the meeting was limited to general statements, with specific proposals to be introduced later.

The subgroup on customs procedures met from May 20-26. At the initial meeting it was suggested that fees charged for consular invoices be eliminated.

**Tariffs**—The Tariff Group, at its meeting on March 18-21, began efforts to reach agreement on a “working hypotheses” for tariff reductions. Some countries favor the linear approach, in which each rate line of a country’s tariff is reduced by an agreed percentage. This was the general approach used in the Kennedy Round. Other countries have proposed a tariff harmonization approach, under which tariff levels for particular products would be negotiated to generally comparable levels for the various countries. A mix of the linear and harmonization approaches also is a possibility. Developing countries have suggested a further concept—that tariff reductions should not erode the margin of preference which presently exists under the Generalized Preference Schemes applied by the developed countries for the benefit of developing countries.

**Safeguards**—The Safeguard Group held its initial session on April 10-11, at which time it agreed on a two-phase approach. The first phase will be a study of present government policies and practices under GATT Article XIX and other measures taken to safeguard against import injury to domestic industry. Next, the group will seek to formulate proposals concerning safeguard procedures which will protect the gains in trade liberalization that will be achieved during the Tokyo Round.

**Tropical Products**—The March 24 meeting of the Tropical Products Group resulted in a questionnaire, which has been circulated by the GATT Secretariat, seeking specific requests from exporting countries (largely developing countries) concerning ways to improve the conditions under which tropical products move into the markets of industrialized nations.

**Sectors**—The Sectors Group, which will consider negotiating procedures to reduce or eliminate tariff and non-tariff barriers within particular product sectors, held its initial meeting on April 7-9. It called upon the GATT.
Secretariat to prepare a study of trade in metallic ores and metals and their products, through several degrees of processing; this information will be useful in examining the feasibility of the sector approach.

Agriculture Group—At its meeting on May 8, the Agriculture Group resolved an impasse that had developed as to whether agricultural issues would be handled solely by that Group. The United States wished to include certain agricultural issues in other groups—e.g., the Tariff and Non-Tariff Measure Groups—to ensure that the general negotiating rules adopted by those groups would be applicable to both industrial and agricultural products. The work program adopted on May 8 makes clear that matters relating to agriculture are not restricted exclusively to the Agriculture Group, but may be taken up in other appropriate contexts in the MTN, as well. At its May 8 meeting, the Agriculture Group also established negotiating subgroups for grains, meat and dairy products.

B. U.S. Trade Talk Preparations

In conjunction with preparation of the U.S. negotiating position for the Tokyo Round, U.S. Government agencies have been meeting with private sector advisory groups and holding public hearings on matters relevant to the U.S. position in the MTN.

The Industry Consultations Program completed a second round of sector advisory committee meetings on May 21, during which the committee members reviewed initial drafts of their reports, which recommend U.S. negotiating objectives within particular industrial product sectors. The results of the meetings will be reviewed by the Industry Policy Advisory Committee and will be used by government agencies in formulating initial U.S. negotiating positions. The Agriculture Advisory Program got under way May 5-6 with a meeting of the Agriculture Policy Advisory Committee and the eight Agricultural Technical Advisory Committees. Members of the committee were requested to make submissions of their individual views by June 6, with the committees’ composite recommendations to be reviewed by committee members at meetings in late June. Meetings of the Labor Policy Advisory Committee and the six Labor Sector Advisory Committees also were held in June.

As part of the public hearing program called for by the Trade Act of 1974, the Trade Policy Staff Committee, Office of the Special Representative for Trade Negotiations, has been holding hearings at various cities throughout the United States. The principal focus of the hearings are lists, previously published in the Federal Register, of articles which may be affected by the trade negotiations, as well as articles which may be considered for designation under the Generalized System of Preferences for developing countries, as authorized by the Trade Act of 1974. Hearings were held in the month of June and the beginning of July in Hartford, Rochester, Chicago, Wichita, Dallas, New Orleans, Atlanta,
Reports and Recommendations

Minneapolis, Portland, San Francisco, Phoenix and Philadelphia. Beginning July 14, further hearings will be held by the Trade Policy Staff Committee in Washington, D.C. Communications concerning the hearings may be addressed to the Secretary, Trade Policy Staff Committee, Office of the Special Representative for Trade Negotiations, 1800 G Street, N.W., Room 729, Washington, D.C. 20506.


Stephen L. Gibson
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The International Atomic Energy Agency

IAEA, an acronym unfamiliar to many practicing lawyers in the United States, has assumed a higher profile as energy issues, especially those pertaining to nuclear power safety and protective safeguards, have gained prominence and attracted attention both domestically and internationally.

The International Atomic Energy Agency, or what is more commonly called the IAEA, is an autonomous intergovernmental organization under the aegis of the United Nations. Its origin dates back to 1953 when former President Eisenhower proposed his Atoms for Peace plan for international cooperation in the development of peaceful uses of nuclear energy to the U.N. General Assembly. That proposal ultimately led to the creation of the IAEA.

In the United States a series of 1954 amendments to the Atomic Energy Act of 1946 authorized private ownership of nuclear reactors, created the framework for what is today the U.S. Nuclear Regulatory Commission's nuclear licensing and regulatory procedures and broadened the then Atomic Energy Commission's authority to exchange technical information on nuclear energy with other nations. Also, the President of the United States was authorized to enter into arrangements for international cooperation in the development of peaceful uses of nuclear energy. The course was thus legislatively opened for U.S. participation in IAEA.

Established in 1957, the IAEA has enabled more than 100 nations to share in nuclear technology and "know-how" made available by the United States and other nuclear nations. An annual General Conference of Member States approves the IAEA's budget and programs, while a Board of Governors carries out the daily functions. The IAEA has headquarters in Vienna, Austria; and, its operations are financed by regular and voluntary contributions from the Member States.
In addition to being a world forum on nuclear energy and providing technical advice and assistance on nuclear power development to its Member States, the IAEA has the responsibility of administering a system of international safeguards designed to detect diversions of nuclear materials from peaceful nuclear activities permitted by the IAEA charter. IAEA nuclear safeguards are also applied to nuclear materials used for peaceful purposes in non-nuclear-weapon states that have ratified the Non-Proliferation Treaty under its charter. If the IAEA finds that there has been a diversion of any special nuclear material, it first affords the country involved a reasonable opportunity to furnish an explanation and provide reassurances that the nuclear material in question was not diverted to military uses. The Agency thereafter files a report with its Board of Governors, all members of the Agency, and the Security Council and General Assembly of the United Nations. The Agency has the power where appropriate to suspend the rights and privileges of Agency membership, curtail or terminate assistance and call for the return of materials and equipment that may have been provided to any Member State involved in a diversion of nuclear materials. These safeguards now apply to about 50 nuclear power facilities and more than 100 nuclear research facilities in more than 40 nations.

The IAEA also serves as an active forum and provides the organizational machinery for international collaboration and exchanges of technical information related to the development of safety standards for reactors and for the transportation and storage of radioactive materials and wastes, the development of international conventions for civil liabilities in the nuclear power field and other issues related to the increasing use of nuclear power as an energy source throughout the world.

The Agency’s Legal Division is presently in a period of transition, and will soon be headed by Iain MacGibbon, Professor of International Law at the University of Edinburgh. The legal staff is studying possible new programs for the IAEA in coordinating international action concerning the physical protection of nuclear materials and facilities. The staff is presently reviewing alternatives ranging from formal convention to coordinated uniform national policies in the areas of international transportation of nuclear materials, international cooperation in the pursuit of stolen material and uniform criteria for the protection of domestic facilities. The legal staff is actively engaged in a host of other substantive activities of the Agency, including the updating of the Agency’s safety regulations for “Agency Projects,” such as power stations now under construction in Yugoslavia and Mexico.

The Legal Division of the Agency can be expected in the future to examine new areas of responsibility for the IAEA, such as what role, if any, the Agency might assume in the identification of liability questions related to the operation of nuclear merchant ships and possibly to the development of a consensus among interested governments as to international agreements in this area.
It is clear that governments increasingly view the Agency as an extremely useful mechanism for tackling specific international legal problems in the nuclear field utilizing the mechanisms now in place within the Agency for developing recommendations to governments.

William O. Doub
Washington, D.C.

Inter-American Development Bank

On February 27, 1975, the Fondo de Inversiones de Venezuela, an agency of the Republic of Venezuela, and the Inter-American Development Bank executed a trust agreement pursuant to which IDB, as Trustee, will administer a $500,000,000 Trust Fund to be funded by the Venezuelan agency. As in the case of IDB's other trust funds, this new fund will be administered and invested separately from IDB's ordinary capital resources.

The trust agreement confers on the Trustee broad powers, but at the same time spells out detailed guidelines for the application of the fund's resources. Fundamentally, the principal purpose of the fund is stated to be "to contribute to the financing of projects and programs that might have a significant effect in the development of member countries that are relatively less developed, or have a limited internal market, or are of medium size, through improved exploitation of natural resources of the promotion of industry and agro-industry." Also mentioned is the promotion of exports, including exports of manufactured and semi-manufactured articles and those destined to countries outside the region. Latin American integration is also to be emphasized. At the same time, the Trustee is charged to seek safety and profitability.

Within these general guidelines, the Trustee is specifically authorized not only to make loans but also to make equity investments. Debt or equity investments may be made not only in governmentally sponsored projects but also in private enterprises whose equity is owned to the extent of at least 80 percent by residents of Latin America or which have committed themselves to achieve that minimum level of local ownership pursuant to contract with the Trustee. To a limited extent, the fund may be used to finance working capital or export transactions. In the case of project financing, the fund's resources may be utilized for up to 80 percent of project cost in relatively less developed countries and up to 50 percent in medium size countries. Investment in or through development finance institutions in the various countries is specifically contemplated.

In summary, the new Venezuelan trust fund appears to be an imaginative example of petrodollar recycling for the benefit of the Western Hemisphere's poorer nations.
IDB's 1974 Annual Report was released in the first half of May, 1975. It reports on the fifteenth year of the Bank's existence and highlights the contribution IDB has made and is continuing to make to the development of the Western Hemisphere south of the Rio Grande. To select just one figure out of the wealth of information in the Report, the Bank calculates that to date its financing has contributed to development projects whose aggregate cost amounts to some $25.5 billion.

Two new countries—Guayana and the Bahamas—have pending applications to become members of IDB.

In December, 1974, Austria, Belgium, Denmark, Germany, Israel, Italy, Japan, the Netherlands, Spain, Switzerland, the United Kingdom and Yugoslavia signed the Declaration of Madrid pursuant to which these 12 countries propose to become non-regional members of the Bank. There would be authorized a new class of "inter-regional capital stock," of which an aggregate of $61,475,252 would be issued as paid-in and $311,236,556 as callable. In addition, the new members would contribute an aggregate of $372,711,808 to the Fund for Special Operations. Of these totals, 18.45 percent will come from Japan, 16.93 percent from Germany, and 16.52 percent each from Italy, Spain, and the United Kingdom.

The new inter-regional capital stock, as a class, would have 8 percent of the Bank's total voting power. The vote of the United States would be reduced from 40.22 percent to 34.5 percent and that of Canada from 4.92 percent to 4 percent. The regional developing country members would remain with 53.5 percent of the vote and will be required to make additional capital subscriptions in order to maintain this percentage.

Since the proposed non-regional membership will require amendments to the Agreement Establishing the Bank, the ratification process is expected to require at least the entire year of 1975, so that the new subscriptions will begin to be received in 1976.

Max A. Stolper
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World Bank

During the period February 25, 1975-May 31, 1975, the most significant development concerning the World Bank was the issuance of a Policy Paper dealing with rural development. This Policy Paper forecasts a substantial increase in World Bank lending activities with respect to rural development.

While the Bank has been increasing its lending activities in the agricultural area for a substantial period of time, it has not placed as much emphasis on rural development as is anticipated by the Policy Paper. The Bank's planned increase in rural development activity will result in a change in emphasis from projects in which the Bank's lending is intended to support large scale
agricultural projects such as irrigation systems to projects in which the Bank will focus on aiding small, impoverished farmers. The Bank's Policy Paper takes the position that this change will not result in a termination of Bank programs aimed at increasing food production, but should, in fact, aid in food production while at the same time assisting poor farmers.

The Bank's goal is to produce a 5 percent annual growth rate in the output of impoverished farmers. The Bank projects that total capital investment needed to produce this 5 percent per annum increase will be between $70 billion and $100 billion between now and 1985. During the period 1975-1979 the Bank expects to make available $3 billion for assistance to small farmers and also anticipates such World Bank lending to reach an annual rate of $1 billion by 1979. Additional investment from other sources would be necessary to attain the Bank's goal of a 5 percent annual growth rate.

While the Bank will not withdraw from lending for large-scale agricultural projects, it is anticipated that there will be some de-emphasis of such lending activity by the Bank.

Another policy development which may affect the Bank's lending activities in the future was indicated in the Bank's Policy Paper on Housing published in May. This Policy Paper concluded that housing projects for the poor have tended to be less effective than such programs could be because of the prevailing practice of constructing housing of relatively high standards. The Policy Paper expressed the view that substantially increased numbers of poor people could be benefited by housing projects if the cost of housing could be reduced as a result of some reductions in housing standards such as standards for materials and finishing work, increased use of communal facilities, higher density construction, etc.

Finally, the Bank and the IDA reached agreement in February with the Government of Bangladesh whereby Bangladesh agreed to assume liability for certain loans originally made to Pakistan. Such loans were used to finance projects prior to the independence of Bangladesh in the area which is now Bangladesh.

Jerome P. Akman
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U.N. Commission on
International Trade Law (UNCITRAL)

The UNCITRAL Working Group on International Legislation on Shipping met in Geneva, April 1 through 18, 1975, and completed its work on a draft convention that would revise the 1924 Hague Rules on Maritime Bills of Lading. The principal effect of this convention would be to adjust maritime rules to modern liability risks by eliminating many of the special exceptions to carrier liability that exist under the Hague Rules. The Working Group has left the issue
of liability limits open for consideration at UNCITRAL's plenary session in New York next spring.

The comments of U.N. member states are due by October 1, 1975. Toward preparing United States comments, the Secretary of State's Advisory Committee on Private International Law, Study Group on Maritime Bills of Lading, is holding a meeting on the draft convention on September 12, 1975 at the Department of State in Washington, D.C. to receive the comments of interested persons. A notice will appear in the Federal Register.

Also during the April meeting, the draft UNCITRAL Arbitration Rules were discussed. These rules have been developed in consultation with a number of experts, and they have been circulated for comments to regional economic commissions of the United Nations and to centers of international commercial arbitration. It is anticipated that the draft rules will be adopted at UNCITRAL's plenary session next spring and then submitted to the General Assembly.

The draft arbitration rules would become applicable in the case of a dispute arising under or in connection with a contract between private parties containing a provision that they should so apply. The rules provide for either administered arbitration, in which the services of a designated arbitration institution are employed, or non-administered arbitration, and it is anticipated that the parties may wish to make that choice in their contractual arbitration clause. The draft rules also provide for designation in the arbitration clause of an authority to appoint a sole arbitrator and settle appointment disputes, and for designation of the number of arbitrators, the place of arbitration, and the language to be used; in addition, the clause may authorize the arbitrators to decide ex aequo at bono.

Finally, it was decided that the Working Group on the International Sale of Goods would complete by January, 1976, its consideration of the draft Convention on the International Sale of Goods.

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Growing Congressional Involvement
in International Agencies

In recent years, Congress has expanded its prerogatives vis-a-vis the Executive Branch. The substantial growth in the Federal role over the past forty years was dominated largely by the Executive Branch. But in the last five years, there has been an obvious and continued effort by the Congress to change the balance with respect to the two branches. In so doing, the Congress has vastly expanded the amount of information available to it; has expanded and improved the old Legislative Reference Service with much greater emphasis on policy research; has established the Office of Technological Assessment; expanded the role of
the General Accounting Office and greatly enlarged and expanded its budgetary functions.

This trend has been equally manifest in the field of foreign policy. Traditionally the preserve of the Executive Branch, foreign policy has become much more a matter of concern to the Congress in the last several years.

Public attention in this regard has focused largely on three issues—the War Powers Act setting out limits on the Executive's use of armed forces; the emigration of Soviet Jews as a consideration in the proposal for most-favored-nation status for the Soviet Union; and the cutting off of military aid to Turkey following the conflict in Cyprus. Less publicized, but perhaps more pervasive, is the growing congressional role in matters of international economic policy.

The recently passed Trade Act of 1974 is a particularly interesting case in point. Although the general focus has been on the extension of most-favored-nation status to the non-market economies (principally the Soviet Union), Congress has insured its continuing participation in the setting of foreign trade policy. At one time, the Congress actually set each and every duty in the U.S. tariff schedule. That practice continued through the Smoot-Hawley tariff of 1930.

In concert with the general tendency to delegate congressional authority to the Roosevelt Administration, Congress withdrew from the process of setting individual tariffs. Instead, the executive was empowered to negotiate tariffs within broad limits established by the Executive.

In the Trade Act of 1974, the Congress has not reversed this general procedure but rather re-asserted its role in three distinct ways. First, the Congress has provided for ongoing participation in the trade negotiations themselves. In the place of periodic reports from Geneva, the Congress will have an on-the-spot observer. Second, newly created authority to negotiate over non-tariff barriers (NTB) is hedged by the retention of a congressional veto. The majority of either House can vote to reject the elimination of any particular NTB. Finally, the Trade Act of 1974 specifically dictates or narrows presidential action in numerous cases. The thrust of the Act is to reduce the range of executive action that many felt led to delays or inaction in the areas of import competition.

Congress also maintains extensive though less direct contacts with various international agencies. A case in point is U.S. involvement with the multilateral development banks, such as the InterAmerican Development Bank (IADB). Because of the size of U.S. participation in most of the development banks, the United States has the right to appoint one of the Executive Directors. In the past, the congressional involvement in the setting of U.S. policy with regard to the banks has been restricted, even though U.S. contributions to the development institutions did require appropriation of funds by the Congress. But this, too, has been changing in recent years. It is illustrative in this regard.
that the Treasury Department, in preparing for the fourth replenishment of the International Development Association and for the negotiations of ordinary and special resource contribution to the Asian Development Bank, took careful steps to insure congressional participation.

In addition, the Congress has begun to press for more complete information on development bank activities. Under current practice, the U.S. executive director and members of the National Advisory Committee have access to a wide range of internal bank documents. The Administration, however, has attempted to restrict congressional access to these documents. For instance, the Congressional Research Service and the General Accounting Office (respectively the principal research and investigative arms of Congress) have been denied access to two important types of documents—summaries of bank directors’ meetings and the reports to the banks of outside consultants on bank organization. Congressional pressure for wider access to these documents appears to be growing.

Congress is somewhat less active but still definitely involved in the field of international monetary affairs. The United States involvement with the International Monetary Fund is a typical example. Although there is little day-to-day congressional participation in the IMF, the Congress retains traditional purse strings control over U.S. contributions. Under the IMF charter, member quotas must be reviewed every five years. With the last review having taken place in 1970, the IMF is about to recommend a substantial increase in each member’s quota. Any increase in the already large American quota will require the usual authorizing and appropriating action by the Congress. In this instance, congressional participation does not reflect either institutional change or recent legislation. But given the widespread concern about international liquidity and the ubiquitous problem of recycling petro-dollars, the Congress will no doubt use its purse strings with particular care.

Congress has also been actively involved with the problems of recycling the massive amounts of foreign currencies that have flowed to the oil-producing countries as a result of sharp increases in the price of oil. At first, it was widely feared that the massive flows of “petro-dollars” would prove disastrous for the world financial system. It was generally expected that petro-dollars in the form of either short-term or long-term investments would flow to the stronger industrial economies such as the United States and Germany. In such a case, the weaker industrial powers, particularly Italy, would be left with a crippling deficit in their balance of payments. There also was considerable apprehension because of the short-term nature of many petro-dollar deposits in commercial banks. With loans generally made for the long-term and major deposits often placed on a day-to-day basis, the opportunities for financial mischief on the part of the oil-producing countries were more than ample.
American policy on the financial side of the petro-dollar matter has been focused in the Kissinger-Simon proposal for a financial support fund (or safety net) to be created under the aegis of the Organization for Economic Co-operation and Development (OECD). The entire process has been subjected to continuing congressional scrutiny through a number of hearings and a series of informal contacts. No legislation with regard to the American quota for the financial support fund has yet been passed, but the House and Senate Banking Committees are expected to take up the issue shortly.

Congressional participation has been even more evident in the growing controversy over foreign direct investment in the United States. Long a capital exporter and the principal base of many of the largest multinational firms, American concern with foreign investment within her own borders was a new phenomenon spawned by the growth of petro-dollars.

Faced with a dearth of information, last year Congress passed the Foreign Investment Study Act of 1974 (P.L. 93-479). Subsequently, in the wake of rumors about Arab bids to purchase a portion of Lockheed and growing pressure to restrain direct foreign investment, the Administration set up a screening unit within the executive branch. Congress expressed dissatisfaction with the relatively informal approach of the Administration and noted that the screening board itself had no statutory basis. Since that time, a number of bills have been introduced that would clarify the President’s authority to prohibit a foreign investment, mandate advance notice by a foreign company or government of intent to acquire a portion of a U.S.-based firm, and provide a statutory basis for a foreign investment review board.

These involvements may be expected to continue and probably intensify. Meanwhile, a relatively new international institution is attracting more congressional attention: the African Development Bank. Legislation to authorize U.S. participation in the special funds of this bank in the amount of $15 million, has been introduced in the Senate and is expected to be followed in the House.

John R. Stark
Washington, D.C.

International Labor Conference—60th Session

The 60th Session of the International Labor Conference, the annual assembly of the International Labor Organization which is a specialized agency of the United Nations, met in Geneva, Switzerland, from June 5-June 27, 1975. Attending were tripartite delegations—consisting of Worker, Employer and Government delegates and advisers—from some 126 member states.

The Conference voted to adopt international instruments, i.e., Conventions and Recommendations regarding Organizations of Rural Workers, Vocational
Guidance and Training, and Migrant Workers. A member state’s obligation with respect to these international instruments is to refer the instruments to the competent authority for that authority’s consideration as to ratification of the instruments.


The Conference also adopted the report of the Committee on National Tripartite Machinery for the Implementation of International Labor Standards which recommended that discussions be held by the Conference next year with a view to adopting a Convention and Recommendation on the subject.

The Conference adopted the report of the Standing Orders Committee which recommended changes in the Standing Orders of the Conference to permit “observer status” for the PLO. The adoption of these changes on June 12 by the Conference triggered the withdrawal from the Conference by the U.S. Worker Delegation and the sympathy walkout by the U.S. Employer and Government Delegations for that session of the Plenary. The U.S. Government and Employer Delegations returned the next day to continue the work of the Conference.

The Conference also adopted several Resolutions relating to such matters as: The Contribution of Small and Medium Undertakings to Economic and Social Progress; Vocational Rehabilitation and Social Reintegration of Disabled or Handicapped Persons; Future Action of the International Labor Organization in the Field of Working Conditions and the Environment; and Human and Trade Union Rights in Chile.

In addition, the Conference approved a 1976-77 biennial budget of $144,407,000 of which the United States’ assessment for 1976 will be $20,213,375.

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Conclusion

The Committee has made splendid progress in following the activities of international economic organizations and studying subjects of concern to these organizations during fiscal 1974-75. We remain short of our goal, however, in terms of membership involvement throughout the United States. Better geographic balance in membership participation shall continue as one of our highest priorities.