

**The original documents are located in Box 4, folder “Arab Boycott - Question and Answer Briefing Sheets” of the John Marsh Files at the Gerald R. Ford Presidential Library.**

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**MEMORANDUM**

**THE WHITE HOUSE**

**WASHINGTON**

September 27, 1976

**MEMORANDUM FOR:** THE PRESIDENT

**FROM:** FRANK ZARB *FZ*

**SUBJECT:** Reports that Saudi Arabian Government  
Has Warned US that Anti-Boycott Legis-  
lation could Bring Another Embargo

The attached Q & A has been approved by State, Treasury, and  
Scowcroft.

September 27, 1976

*Handwritten signature in a circle*

Q: We have seen reports that the Saudi Arabian Government has warned U.S. officials that the passage of the pending anti-boycott legislation would provoke another oil embargo. Do you have any comment on that report?

A: Saudi Arabian officials have not threatened an embargo or other retaliatory action. Some Saudi officials have said that passage of the anti-boycott legislation could very well make it impossible for American oil companies to legally do business in Saudi Arabia. That is, compliance with some provisions of proposed anti-boycott legislation could put them in violation of Saudi Arabian law.

Q: Are the Saudis right about the impact of the proposed legislation?

A: I can't answer that question since it is still unclear what will come from the Congress. The Administration has opposed additional legislation as not being the most effective way to deal with the boycott problem. Therefore, we will not comment further until we see what the Congress actually produces in the way of a final bill.

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THE WHITE HOUSE

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lation could Bring Another Embargo

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Scowcroft.

[ca. 9/27/76]

Q. We have seen reports that the Saudi Arabian Government has warned U.S. officials that the passage of the pending anti-boycott legislation would provoke another oil embargo. Do you have any comment on that report?

A. Saudi Arabian officials have not threatened an embargo or other retaliatory action. I understand that a clarifying statement to that effect will be issued shortly by the Saudi Government.



FEDERAL ENERGY ADMINISTRATION  
WASHINGTON, D.C. 20461

*Please  
Def  
JM*

OFFICE OF THE ADMINISTRATOR

September 27, 1976

MEMORANDUM FOR JACK MARSH

FROM: FRANK G. ZARB *FZ*

Please initial for transmission.

Attachment

September 27, 1976

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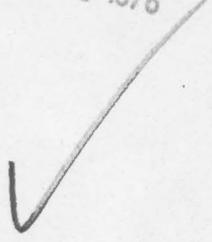
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THE WHITE HOUSE  
WASHINGTON

SEP 28 1976



September 27, 1976

MEMORANDUM FOR:        ROGER PORTER  
FROM:                    DAVID LISSY

The boycott question and answers prepared by Frank Zarb are okay as far as they go. The next question in the sequence would be to ask what the President's reaction would be to a threatened embargo and whether we would give in to blackmail.

Carter meets on Thursday with a large group of Jewish leaders from throughout the country. My guess is he will hit hardest on the "moral" aspects of the boycott, any embargo threat and the question of blackmail.

I believe we should indicate there is no embargo threatened, we do not anticipate such a threat, but also reiterate that the United States would consider any embargo an unfriendly act, or whatever language we have used in the past to indicate we would not allow ourselves to be blackmailed.

cc:        Jim Cavanaugh  
          Jack Marsh  
          Brent Scowcroft  
          Art Quern



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001 1976

THE WHITE HOUSE  
WASHINGTON

October 8, 1976

MEMORANDUM FOR:

GEORGE DIXON  
ALAN GREENSPAN  
MILT MITLER  
PAUL O'NEILL  
ART QUERN  
RUSS ROURKE ✓  
JIM SHUMAN  
DOUG SMITH  
FRANK ZARB

FROM:

ED SCHMULTS

Here are two questions and answers relating to the President's Arab boycott statement in Wednesday's debate.

Attachments



Question No. 1:

Some Members of Congress have stated that President Ford opposed any anti-boycott legislation being added to the Export Administration Act extension and that his placing the blame on Congress for failure to pass legislation is an unfair and false charge. Is that true?

Answer:

Approximately a week and a half ago when Congress was still in session, President Ford indicated to Members of Congress that he would support an extension of the Export Administration Act that contained a provision for prospective public disclosure of boycott reports and a provision prohibiting American companies from refusing to deal with other American companies in order to comply with the boycott of a nation friendly to the U.S. The President also supported provisions which would legislatively reaffirm the strong Administrative actions he had taken in November 1975 to guarantee that American citizens and firms would be fully protected from any discrimination on the basis of race, color, religion, national origin, or sex that might arise from foreign boycott practices. These Executive actions were the strongest every taken by an American President in this regard.

The President was seeking a compromise in the Congress between those who wanted a more stringent piece of legislation which he did not believe would be in the national interest and those who were more moderate in their approach. He first



offered a compromise amendment (see attachment) and later offered to accept a boycott amendment similar to Senator Stevenson's with a minor modification. However, neither of these proposals was accepted and the Congress adjourned without passing an extension of the Export Administration Act. Each of the President's proposals indicated support for prospective public disclosure of boycott reports.



October 7, 1976

## Foreign Boycotts

Sec. \_\_\_\_\_. (a) Section 3(5)(A) of the Export Administration Act of 1969 (hereinafter in this Section referred to as the "Act") is amended by inserting immediately after "United States" the following: "or against any domestic concern or person".

(b) Section 3(5)(B) of the Act is amended by inserting immediately after "United States" the following: "and to prohibit such domestic concerns from taking any action in furtherance of such restrictive trade practices or boycotts, which discriminates or has the effect of discriminating against any domestic concern or person on the basis of race, color, religion, sex, nationality or national origin".

(c) Section 4 of the Act is amended by redesignating paragraphs (2) through (4) and any cross references thereto as paragraphs (3) through (5) respectively, and inserting after paragraph (1) a new paragraph (2) as follows:

"(2)(A) Rules and regulations prescribed under subsection 4(b)(1) to implement the provisions of Section 3(5) of this Act, shall require that any domestic concern or person which receives a request to take any action referred to in Section 3(5)(B) of this Act to report that fact to the Secretary of Commerce together with such other information as the Secretary may require to enable him to carry out the requirements of Section 3(5).

"(B) Any report hereinafter filed pursuant to this paragraph shall be made available promptly for public inspection and copying: Provided, however, that information regarding the quantity, description, and value of any goods to which such report relates may be kept confidential if the Secretary determines that disclosure thereof would place the domestic concern or person involved at a competitive disadvantage. The Secretary of Commerce shall transmit copies of such reports to the Secretary of State for such action as the Secretary of State, in consultation with the Secretary of Commerce, may deem appropriate for carrying out the purposes of Section 3(5) of this Act.

"(C) Rules and regulations implementing the provisions of Section 3(5) of this Act shall prohibit domestic concerns and persons from:



(i) Discriminating against any United States person, including any officer, employee, agent, director, or stockholder or other owner of any domestic concern on the basis of race, color, religion, sex, nationality or national origin.

(ii) Furnishing information with respect to the race, color, religion, sex, nationality, or national origin of any past, present, or proposed officer, employee, agent, director, or stockholder or other owner of any domestic concern.

(iii) Refusing to do business with any other domestic concern or person, pursuant to an agreement or understanding with any foreign country, national or agent thereof, for the purpose and with the intent of complying with a trade boycott against a country which is friendly to the United States or against any domestic concern or person.

"(D) Any civil penalty (including any suspension or revocation of the authority to export) imposed under this Act, for violation of rules and regulations issued under subparagraph (2)(C)(iii) of this paragraph may be imposed only after notice and opportunity for an agency hearing on the record in accordance with sections 554 through 557 of Title 5, United States Code. The provisions of subparagraph (2)(C)(iii) of this paragraph shall neither substitute for nor limit the antitrust laws of the United States. Further, the provisions of subparagraph (2)(C)(iii) of this subsection shall not apply to compliance with requirements pertaining to the identity of any carrier on which articles, materials, or supplies are to be shipped so long as such do not have as their purpose the enforcement or implementation of a restrictive trade practice or boycott against a country friendly to the United States or against any domestic concern or person."



Question No. 2:

Due to the expiration of the Export Administration Act, does the Administration have the authority to continue the boycott-reporting program and does the President have the authority to direct the Secretary of Commerce to publicly disclose boycott reports?

Answer:

On September 30, 1976, President Ford signed an Executive Order continuing the regulation of exports under his inherent constitutional authority as President to conduct defense and foreign relations and under Section 5(b) of the Trading with the Enemy Act. This Executive Order was necessitated by the failure of the Congress to pass an extension of the Export Administration Act, and it continues in effect the regulations issued by the Secretary of Commerce pursuant to that Act.

It is the opinion of the Department of Justice that the Commerce Department has the authority to continue its foreign boycott reporting program under the Executive Order and Justice has written a legal opinion memorandum to that effect. Given the authority to require the filing of boycott reports, the Secretary of Commerce must have a concurrent authority to dispose of these reports in a manner that serves the public interest.



October 7, 1976

October 21, 1976

MEMORANDUM FOR: MIKE DUVAL  
FROM: JACK MARSH

Because of the Richardson testimony yesterday before Rosenthal and others concerning Commerce's efforts for legislative action on the boycott, you should anticipate a question along the following lines:

Question: Mr. President, in the last debate you indicated the Administration's interest and support for Congressional action on the boycott question and you criticized Congressional inaction in this regard. However, just this last week the Secretary of Commerce has testified that earlier this year his repeated efforts for Administration support of this type of legislation was rebuffed. How do you explain this inconsistency between your statement and the statement of the Secretary of Commerce?

Answer: The Administration, in the closing days of the Congress, proposed compromise legislation which it was felt would be the best resolution of an impasse between the House and the Senate.

The Senate had earlier adopted an amendment called the Stevenson Amendment which many in the Administration felt was not the best approach to the boycott situation, particularly in light of the Executive Order that had been issued by me over a year ago.

The House version of the boycott legislation was also very prohibitive. The proposal we offered to the Congress was



similar to the Senate version with modifications we felt made the legislation more effective.

(Mike, I think you should see Ed Schmults for additional comments on this and I have sent him a copy of this Q&A. Brent should also make inputs.)

cc: Ed Schmults  
Brent Schwcroft

JOM/rl



OCT 8 1976

THE WHITE HOUSE  
WASHINGTON

October 8, 1976

MEMORANDUM FOR:

GEORGE DIXON  
ALAN GREENSPAN  
MILT MITLER  
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cc: Jack Marsh - FYI ✓



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Answer:

Approximately a week and a half ago when Congress was still in session, President Ford indicated to Members of Congress that he would support an extension of the Export Administration Act that contained a provision for prospective public disclosure of boycott reports and a provision prohibiting American companies from refusing to deal with other American companies in order to comply with the boycott of a nation friendly to the U.S. The President also supported provisions which would legislatively reaffirm the strong Administrative actions he had taken in November 1975 to guarantee that American citizens and firms would be fully protected from any discrimination on the basis of race, color, religion, national origin, or sex that might arise from foreign boycott practices. These Executive actions were the strongest every taken by an American President in this regard.

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October 7, 1976

THE WHITE HOUSE  
WASHINGTON

7

October 21, 1976

MEMORANDUM FOR: MIKE DUVAL  
FROM: ED SCHMULTS *ES*  
SUBJECT: Arab Boycott Q's & A's

I recommend that the President read the attached in preparation for the third debate. The items dealing with the Arab boycott are as follows:

- Attachment A - A brief chronology of Administration actions. While this chronology is stated in the form of an answer, I realize it is too long, but I believe it will be extremely helpful in reviewing the other items.
- Attachment B - General Q and A on the Arab boycott.
- Attachment C - Q and A answering the alleged discrepancy between the statement made in the second debate and the action Secretary Richardson took on disclosure of boycott reports.
- Attachment D - Q and A specifically answering what the President ordered Commerce to do on October 7. This item really overlaps with Attachment C, but is helpful for background.
- Attachment E - Q and A relating to the charge that it was false to state that the Administration favored further boycott legislation in October 1976.



Attachment F - Q and A dealing with the attempt by Chairman Rosenthal to expose a conflict between the President and Secretary Richardson on boycott legislation. This has received some publicity over the last day or two and may well be the basis for a boycott question during the third debate. The note at the end of this question should be reviewed.

cc: Jack Marsh ✓  
Brent Scowcroft





As President, I have taken stronger action than any of my predecessors to counteract the boycott. For example:

- In November 1975, I issued a series of specific actions to strengthen our opposition to the boycott and to insure that American citizens and firms would not be subject to boycott-related discrimination because of their religion, race, color, sex or national origin.
- In January of this year, the Justice Department filed a civil antitrust suit against an American company charging it with implementing a boycott agreement to refuse to deal with other American companies. This suit is the first of its kind to be filed by any Administration in regard to the boycott.

During 1976, deliberations continued within the Administration as to what further action should be taken with regard to the Arab boycott. Secretary Richardson recommended that boycott reports be made available to the public. This proposal became part of the compromises that I offered the Congress and one that I approved and took action on administratively on October 7, 1976.

The week before Congress adjourned I sought a compromise in the Congress between those who wanted a more stringent piece of legislation which I did not believe would be in the national interest and those who were more moderate in their approach.

At that time, I indicated to Members of Congress that I would support an extension of the Export Administration Act that contained a provision for prospective public disclosure of boycott reports and a provision prohibiting American companies from refusing to deal with other American companies in order to comply with the boycott of a nation friendly to the U. S. I also supported provisions which would legislatively reaffirm the strong administrative actions I had taken in November 1975 to guarantee that American citizens and firms would be fully protected from any discrimination.



-2-

I first offered a compromise amendment and later offered to accept a boycott amendment similar to Senator Stevenson's with a minor modification. However, neither of these proposals was accepted and the Congress adjourned without passing an extension of the Export Administration Act.

On October 4, I signed the Tax Reform Act which includes provisions under which foreign source income attributable to certain boycott-related activity will lose its foreign tax credit, certain tax benefits, and its tax deferral.

On October 7, I signed a directive to the Secretary of Commerce instructing him to take steps to permit the public inspection and copying of reports required to be filed with the Commerce Department regarding boycott-related requests received by American companies on or after October 7, 1976. Only certain business proprietary information will not be made available to the public (i.e., monetary value of transaction, quantity and type of goods, identity of consignee).

Disclosure of boycott-related reports will enable the American public to assess for itself the nature and impact of the Arab boycott and to monitor the conduct of American companies.

*B*



QUESTION:

Mr. President, the public is still confused about your position on the Arab boycott. Governor Carter has said that he will end it. Would you comment?

ANSWER:

Let me begin by saying that my Administration is opposed to the Arab boycott -- I have taken action to counteract it -- but I will not fool the American people by saying, as Governor Carter has, that the boycott can be ended by immediate unilateral action by the United States. The boycott will end when we achieve a just and lasting peace in the Middle East. While the issue is complex, we are making great progress.

As President, I have taken stronger action than any of my predecessors to counteract the boycott.

- In November 1975, I acted to insure that American citizens and firms would not be subject to boycott-related discrimination because of their religion, race, color, sex or national origin.
- In January of this year, for the first time, the Justice Department filed a civil antitrust suit against an American company charging it with implementing a boycott agreement by refusing to deal with other American companies.

The week before Congress adjourned I sought a compromise in the Congress between those who wanted a more stringent piece of legislation which I did not believe would be in the national interest and those who were more moderate in their approach. Congress adjourned without accepting either of the two compromises I offered.

On October 4, I signed the Tax Reform Act which includes provisions under which foreign source income attributable to certain boycott-related activity will lose its foreign tax credit, certain tax benefits, and its tax deferral.



-2-

On October 7, I instructed the Secretary of Commerce to make public the reports filed with the Commerce Department regarding boycott-related requests received by American companies on or after October 7, 1976. Only certain business proprietary information will not be made available to the public (i.e., monetary value of transaction, quantity and type of goods, identity of consignee).

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C



Question:

You announced in the second debate that the Commerce Department would "disclose those companies that have participated in the boycott." But the day after the debate, Secretary Richardson said he only intended to permit disclosure for companies which received Arab boycott requests on October 7 or thereafter. Why did the Secretary of Commerce disobey your directive?

Answer:

The Secretary of Commerce carried out my directive precisely as I intended it to be carried out. My intent was to order prospective disclosure of boycott reports and not retroactive disclosure which would raise serious questions about due process because of the assurances of confidentiality under which those reports were filed.

I also want to state again here that the purpose of prospective disclosure is to enable the American public to assess for itself the nature and impact of the Arab boycott and to monitor the conduct of American companies.

In this regard, it should be noted that the boycott requests which must be reported to the Department of Commerce and which are being made available for public inspection include requests received by companies that do not intend to comply as well as by those companies that do intend to comply. Also, none of the requests released so far has indicated specific discrimination against Jewish owned or operated American firms.

Also, as you know, on April 29, 1976, Secretary Richardson directed that all charging letters issued by the Commerce Department against companies for failure to report boycott requests be made public. Since April, the Secretary has issued a number of press releases, each containing charging letters and in the last 3 or 4 weeks approximately 13 letters have been released.

October 20, 1976



*D*



Question:

What did you order the Secretary of Commerce to do in regard to disclosure of Arab boycott-related reports?

Answer:

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- On October 4, I signed the Tax Reform Act which includes provisions under which foreign source income attributable to certain boycott-related activity will lose its foreign tax credit, certain tax benefits, and its tax deferral.



October 20, 1976

*E*



Question

Some Members of Congress have stated that you opposed any anti-boycott legislation being added to the Export Administration Act extension and that your assertion that you supported a compromise is untrue.

Answer

The week before Congress adjourned, I indicated to Members of Congress that I would support an extension of the Export Administration Act that contained a provision for prospective public disclosure of boycott reports and a provision prohibiting American companies from refusing to deal with other American companies in order to comply with the boycott of a nation friendly to the U. S. I also supported provisions which would legislatively reaffirm the strong Administrative actions I had taken in November 1975 to guarantee that American citizens and firms would be fully protected from any discrimination on the basis of race, color, religion, national origin, or sex that might arise from foreign boycott practices. These Executive actions were the strongest ever taken by an American President in this regard.

I was seeking a compromise in the Congress between those who wanted a more stringent piece of legislation which I did not believe would be in the national interest and those who were more moderate in their approach. I first offered a compromise amendment and later offered to accept a boycott amendment similar to Senator Stevenson's with a minor modification. However, neither of these proposals was accepted and the Congress adjourned without passing an extension of the Export Administration Act. Each of my proposals indicated support for prospective public disclosure of boycott reports which I directed the Commerce Department to administratively commence on October 7.

October 20, 1976





QUESTION:

How do you respond to Secretary Richardson's statement in his Congressional committee testimony on Wednesday that he supported prospective disclosure of boycott reports since early Spring and that you opposed disclosure until right before the second debate?

ANSWER:

As Secretary Richardson indicated in his testimony, he did conclude in the Spring that prospective disclosure of boycott reports might be an appropriate step for the Administration to take but that he thought it preferable for such an important change in policy to be done, if feasible, by amendment to the Export Administration Act.

I want to emphasize that in November 1975 I took stronger action than any of my predecessors in opposition to the boycott and its discriminatory impact on American citizens. But we did not stand still -- deliberations continued within the Administration. The question of prospective disclosure of boycott reports was the subject of considerable discussion and consideration, and Secretary Richardson participated in those discussions and had recommendations to make.

My decision to direct Secretary Richardson to permit the public inspection and copying of boycott reports as of October 7 was reached by me after careful and thorough consideration of the recommendations made to me by members of my Administration. Disclosure of reports was a part of the two compromises I offered to the Congress during the week before adjournment. Congress turned down my offers and I acted administratively.

Disclosure of boycott-related reports will enable the American public to assess for itself the nature and impact of the Arab boycott and to monitor the conduct of American companies.

Note: It is important to keep in mind that the actions you have taken in regard to the boycott to date do basically three things: (1) ban any discriminatory effect against American firms or citizens that might



-2-

arise from boycott practices; (2) charge an American company in a civil antitrust suit with implementing a boycott agreement to refuse to deal with other American companies; and (3) deny, under the Tax Reform Act, tax credits, benefits and deferrals for the foreign source income of companies that engage in certain boycott activity.

Compliance with the economic and political aspects of the boycott, as long as it does not involve a violation of the antitrust laws, or have a discriminatory impact in the U. S., is not illegal under present law. The elimination of the boycott will only come with a lasting peace in the Middle East.

October 21, 1976

