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2/27/75
3. What action does the President intend to take about the Arab boycott of American-Jewish institutions, and the seeming capitulation by American organizations -- including the Army Corps of Engineers -- to Arab demands.

?
None were underlining.
GUIDANCE: The President stated his position on this subject yesterday, as well as his intention to wait for the reports of the inquiries presently being made. I think we should wait for the results of those reports. I understand that State, Defense and other agencies are also looking into this matter with regard to their personnel assignment policies. I would suggest you check there directly for information on those matters. The President's guidance on this matter was stated quite clearly yesterday.

1. Did the U. S. officials meeting with Saudi Arabian Minister of State for Finance and National Economy, Abal Khail, raise the issue of Arab and particularly Saudi discrimination against Jewish businesses?

5/28/75

GUIDANCE: Mr. Abal Khail has been in Washington for a regularly scheduled meeting of the US-Saudi Joint Commission on Economic Cooperation. This Joint Commission was established in June 1974. Minister Abal Khail had detailed talks with the Treasury Department officials. A Joint Statement was

released at the conclusion of their meetings yesterday (Thursday) outlining the issues that were discussed. Minister Abal Khail also paid a courtesy call on Secretary Kissinger yesterday (Thursday) to review the progress of the Commission business and the producer-consumer dialogue.

The issue of discrimination itself was not on the agenda but as Treasury has already noted, it was raised during the meeting with Secretary Simon who reaffirmed the U. S. position stated by President Ford on Wednesday.

DEPARTMENT OF STATE

Washington, D.C. 20520

March 4, 1975

Honorable Jacob K. Javits
United States Senate
Washington, D.C.

Dear Senator Javits:

Secretary Kissinger has asked me to respond to your letter of February 14 in which you expressed your concern over reported efforts to exclude banking firms with Jewish members from participation in some international lending consortia. A similar response has been sent to Senator Williams.

Some Arab countries have recently refused to participate in selected consortia on grounds that some member firms had contacts with Israel that violated the terms of the Arab League's economic boycott of Israel.

The Department has consistently opposed the Arab boycott, and deplors this extension to international underwriting activities. We will continue to urge American citizens not to cooperate with the boycott, or any extension of it. The Department's position in this respect coincides exactly with the policy expressed in the Export Administration Act of 1969, which you cited.

* [At the direction of the President, the appropriate executive agencies are therefore investigating this matter to determine the extent of any discrimination affecting American citizens or institutions, to examine whether United States laws are being violated, and to consider what steps will be taken to prevent such discrimination.

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The Department of State, meanwhile, is continuing to study the extension of the Arab boycott and its connection with the problem of regulating the flow of foreign investment to the United States. We also are considering what further action would be appropriate to make clear the opposition of the U.S. to the boycott as it has most recently been enforced.

] *

Sincerely,

Robert J. McCloskey

Robert J. McCloskey
Assistant Secretary
for Congressional Relations

UNITED STATES DEPARTMENT OF
COMMERCE
NEWS
WASHINGTON, D.C. 20230

OFFICE
OF THE
SECRETARY

FOR RELEASE THURSDAY,
MARCH 6, 1975

COMMERCE TO INVESTIGATE
ALLEGATIONS INVOLVING ARAB
BOYCOTT OF ISRAEL

Pursuant to President Ford's directive and in accordance with the provisions of the Export Administration Act, the U.S. Department of Commerce said today it is investigating recent allegations that U.S. banking and shipping industries are violating the Export Administration Act by failing to report requests to participate in the Arab boycott of Israel.

Under regulations issued pursuant to the Act, U.S. exporters are required to report to the Commerce Department any requests for their participation in international trade boycotts or other restrictive trade practices. The regulations provide that the responsibility to report to Commerce is that of the exporter. Individuals and organizations handling any phase of an export transaction, such as freight forwarders, shipping companies and banks, also share responsibility for communicating such information to the exporter, whose report is then submitted to the Department of Commerce. This procedure is followed to avoid duplicate reporting.

Failure to comply with this reporting requirement constitutes violation of a regulation under the Export Administration Act which could result in enforcement action against the violator.



THE SECRETARY OF COMMERCE
Washington, D.C. 20230

MAR 6 1975

Honorable Jacob K. Javits
United States Senate
Washington, D.C. 20510

Dear Senator Javits:

Thank you for your letter of February 14, 1975, concerning reports in recent weeks of attempts by certain foreign investors to discriminate against American institutions or individuals on religious or ethnic grounds.

I fully share your sense of indignation at attempts by any group, be it foreign or domestic, to discriminate against Americans on religious or ethnic grounds. As President Ford stated in his news conference on February 26th:

"There should be no doubt about the position of this Administration and the United States. Such discrimination is totally contrary to the American tradition and repugnant to American principles."

As you know, the President has requested several Departments, including the Department of Commerce, to investigate any allegations of religious or ethnic discrimination stemming from boycott efforts under the laws and programs administered by each Department. Until all of these Departments have completed their investigations, I believe that it would be inappropriate to comment as to any need for additional legislation.

Under the Export Administration Act of 1969, as amended, and our implementing regulations, domestic exporters who are subjected to boycott requests are required to report these to the Department within fifteen business days from the date of such requests. I am enclosing for your information a copy of the reporting form issued by this Department to collect information on such boycott requests, as well as a reprint of the pertinent part of our regulations.

The Arab boycott of Israel has its origins in the long-standing Arab-Israeli dispute resulting from the creation of the State of Israel in 1948. The boycott operates both as a primary boycott (preventing direct economic relations between the Arab States and Israel) and as a secondary boycott (by seeking to influence third countries not to establish certain types of relationships with Israel). It is primarily directed at firms undertaking activities which the Arabs consider are contributing to the economic or defense capabilities of Israel - e.g., having main or branch factories, assembly plants, or joint ventures in Israel; holding shares in Israeli companies; providing technical assistance or consultative services to Israel; maintaining general agencies or main offices in Israel for Middle East Operations; licensing technology to Israel; prospecting for natural resources in Israel; selling defense materials directly to Israel (sales through the DOD are not subjected to sanctions); or acting as the principal importer or agent for Israeli goods. Firms may also be boycotted for failure to respond to questionnaires from boycott offices about their relations with Israel, even though they may not in fact have any activity in Israel which would subject them to sanctions.

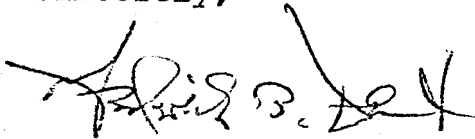
In short, from the nature of the boycott requests reported to this Department by American exporters, these appear intended to deny the State of Israel economic benefits from extensive commercial transactions with the United States. They do not appear to constitute an attempt on the part of the boycotting countries to prevent routine exports of U.S. products to Israel or to deny trade opportunities to U.S. exporters on religious or ethnic grounds.

The press has published in the last few days allegations that certain banks and shipping lines are complying with boycott requests and not reporting such requests to the Department. Under our regulations, to avoid the possibility of duplicate reporting, the reporting requirement is placed on the U.S. exporter and not on other persons who may be handling a phase of the transaction for the exporter.

Thus, the fact that a shipping line or a bank does not report a boycott request does not mean that such request was not reported by the exporter. We are investigating these allegations to determine whether the boycott requests allegedly complied with by these banks and shipping lines have been reported.

This Department will continue to monitor this situation closely and will continue to adhere to policy set out by Congress in the Export Administration Act.

Sincerely,

A handwritten signature in dark ink, appearing to read "Philip B. Bell". The signature is written in a cursive style with some loops and flourishes.

Secretary of Commerce

Enclosures

HOLD FOR DELIVERY -- EXPECTED AT 2:00 pm, March 13, 1975

Ron Nesser

Statement by Sidney Sober, Acting Assistant Secretary for Near Eastern and South Asian Affairs, before the Subcommittee on International Trade and Commerce, House Foreign Affairs Committee

Refer to his testimony if you wish

Thursday, March 13, 1975

MR. CHAIRMAN, I am sure the Subcommittee will understand that, while we are in the middle of delicate negotiations in the Middle East, this is a particularly difficult time to be discussing the subject before us today. I nevertheless wish to be responsive to the Subcommittee's interest in discussing the policy of the Department of State toward the Arab boycott of Israel and actions by the Department in connection with the boycott.

Let me begin by putting the boycott in its Middle East context.

The Arab boycott of Israel is one manifestation of the basic Arab-Israel conflict and thus arises from deep-seated political and emotional factors. The initial boycott organization, which was set up as a committee of the Arab League Council at the beginning of 1946, applied a primary boycott to prevent the entry of certain products into Arab countries from what is now the State of Israel. The secondary boycott, designed to inhibit third parties from assisting in Israel's development, was introduced in 1951, and it is this secondary boycott that affects American economic relations with a number

of Middle East countries.

The scope of the boycott has been broadened through the years, and it applies to a variety of activities which are seen by the Arab countries as constituting a special economic relationship with Israel. An extension of the boycott has involved the blacklisting of foreign actors, artists and other entertainment figures (and their films or recordings) judged to have aided Israel, such as through fund-raising. It is our understanding that, generally speaking, the act of trading with Israel -- as such -- does not violate any of the regulations of the boycott organization and does not of itself bring the boycott into effect. However, the Arab countries themselves reserve the power to interpret the boycott regulations and decisions, and our experience suggests that they are not uniformly applied. There are a number of firms which do business in Israel and Arab countries.

It is impossible to determine how much the boycott up to now has actually harmed Israel, whose economy has been growing at the rate of about 10 percent annually. We recognize, however, that the rapidly increasing economic strength of certain Arab countries has enhanced the Arab boycott as a potentially effective weapon against Israel. There is a likelihood that the growing attractiveness of commerce with Arab countries will place greater

pressure on some foreign firms not to deal with Israel because of the boycott.

Now I want to come to the position of the U.S. with regard to the boycott. As stated on numerous occasions our position is clear and it can be summarized as follows: the United States opposes the boycott. We do not support or condone it in any way. The Department has emphasized our opposition to the boycott to the Arab governments on many occasions as it adversely affects United States firms, vessels and individuals. Where the commercial interests of American firms or individuals have been injured or threatened with injury, we have made representations to appropriate Arab officials.

Consistent with our policy of opposition to the boycott, as reflected in the Export Administration Act of 1969, the Department of State has refused hundreds of requests from U.S. companies for authentication of documents relating to the boycott, as being contrary to public policy.

A number of American firms with boycott problems have consulted with Department officials. These firms have been (A) reminded of their reporting responsibilities under the Export Administration Act and (B) encouraged and requested to refuse to take any action in support of restrictive trade practices or boycotts.

A fundamental factor which has to be faced is

that Arab governments regard the boycott as an important element in their position toward Israel, and one of the basic issues of the Arab-Israeli conflict to be dealt with as progress is made toward resolving that conflict. Indeed, this is one of the issues which we have very much in mind as we continue our diplomatic efforts to help the parties achieve a just and lasting peace. The problem has been how to change effectively the underlying conditions which led to imposition of the boycott. We believe we can best serve this objective not through confrontation but by continuing to promote with the parties directly concerned a peaceful settlement of basic Middle East issues. We believe that our present diplomatic approach is the most effective way to proceed.

Though the boycott emerged from the political problems of the Arab-Israeli conflict, we are also concerned by reports that it could be used for discrimination on outright religious grounds. On this subject President Ford has recently said: "There have been reports in recent weeks of attempts in the international banking community to discriminate against certain institutions or individuals on religious or ethnic grounds.

"There should be no doubt about the position of this Administration and the United States. Such discrimination is totally contrary to the American tradition

and repugnant to American principles. It has no place in the free practice of commerce as it has flourished in this country.

"Foreign businessmen and investors are most welcome in the United States when they are willing to conform to the principles of our society. However, any allegations of discrimination will be fully investigated and appropriate action taken under the laws of the United States."

In summing up, I want to reemphasize

--that we oppose the boycott and will continue to make our opposition to it known, and

--that we will continue to oppose any efforts to discriminate against American firms or individuals on the basis of religion or ethnic background.

At the same time, we will continue to do our utmost to help the countries in the Middle East to find a basis for resolving the Arab-Israeli dispute and to arrive at a just and durable peace. It is our conviction that in the attainment of peace lies the fundamental basis for the resolution of the boycott issue, among others, which we are discussing today.

THE ARAB BOYCOTT

The American Jewish Congress has sent President Ford a memorandum asking him to use existing federal laws against Arab boycotts directed at American companies and citizens.

Q. What is the President's reaction to the letter? What is he doing to see that the laws are being carried out?

A. As you may know, under the Export Administration Act of 1969, U.S. firms must report to the Commerce Department any request to participate in an Arab boycott of Israel. Under this provision, the Commerce Department has charged five U.S. exporters with failing to report such a request and has issued a warning to another 44 companies that they are in violation of the reporting requirement. The five companies charged had previously been warned. They have 30 days in which to contest the charges if they wish to do so.

I think the Commerce Department actions demonstrate the Administration's active involvement in the use of existing laws against boycotts.

FYI ONLY: Under the 1969 Act, firms are required to report requests for participation in an embargo; they are not forbidden to trade with Arab nations to the exclusion of Israel.

Office of the White House Press Secretary

THE WHITE HOUSE

STATEMENT BY THE PRESIDENT

I am today announcing a number of decisions that provide a comprehensive response to any discrimination against Americans on the basis of race, color, religion, national origin or sex that might arise from foreign boycott practices.

The United States Government, under the Constitution and the law, is committed to the guarantee of the fundamental rights of every American. My Administration will preserve these rights and work toward the elimination of all forms of discrimination against individuals on the basis of their race, color, religion, national origin or sex.

Earlier this year, I directed the appropriate departments and agencies to recommend firm, comprehensive and balanced actions to protect American citizens from the discriminatory impact that might result from the boycott practices of other governments. There was wide consultation.

I have now communicated detailed instructions to the Cabinet for new measures by the United States Government to assure that our anti-discriminatory policies will be effectively and fully implemented.

These actions are being taken with due regard for our foreign policy interests, international trade and commerce and the sovereign rights of other nations. I believe that the actions my Administration has taken today achieve the essential protection of the rights of our people and at the same time do not upset the equilibrium essential to the proper conduct of our national and international affairs.

I made the basic decision that the United States Government, in my Administration, as in the administration of George Washington, will give "to bigotry no sanction." My Administration will not countenance the translation of any foreign prejudice into domestic discrimination against American citizens.

I have today signed a Directive to the Heads of All Departments and Agencies. It states:

(1) That the application of Executive Order 11478 and relevant statutes forbid any Federal agency, in making selections for overseas assignments, to take into account any exclusionary policies of a host country based upon race, color, religion, national origin, sex or age. Individuals must be considered and selected solely on the basis of merit factors. They must not be excluded at any stage of the selection process because their race, color, religion, national origin, sex or age does not conform to any formal or informal requirements set by a foreign nation. No agency may specify, in its job description circulars, that the host country has an exclusionary entrance policy or that a visa is required:

(2) That Federal agencies are required to inform the State Department of visa rejections based on exclusionary policies; and

(3) That the State Department will take appropriate action through diplomatic channels to attempt to gain entry for the affected individuals.

I have instructed the Secretary of Labor to issue an amendment to his Department's March 10, 1975, Secretary's Memorandum on the obligation of Federal contractors and subcontractors to refrain from discrimination on the basis of race, color, religion, national origin or sex when hiring for work to be performed in a foreign country or within the United States pursuant to a contract with a foreign government or company. This amendment will require Federal contractors and subcontractors, that have job applicants or present employees applying for overseas assignments, to inform the Department of State of any visa rejections based on the exclusionary policies of a host country. The Department of State will attempt, through diplomatic channels, to gain entry for those individuals.

My Administration will propose legislation to prohibit a business enterprise from using economic means to coerce any person or entity to discriminate against any U. S. person or entity on the basis of race, color, religion, national origin or sex. This would apply to any attempts, for instance, by a foreign business enterprise, whether governmentally or privately owned, to condition its contracts upon the exclusion of persons of a particular religion from the contractor's management or upon the contractor's refusal to deal with American companies owned or managed by persons of a particular religion.

I am exercising my discretionary authority under the Export Administration Act to direct the Secretary of Commerce to issue amended regulations to:

(1) prohibit U. S. exporters and related service organizations from answering or complying in any way with boycott requests that would cause discrimination against U. S. citizens or firms on the basis of race, color, religion, sex or national origin; and

(2) require related service organizations that become involved in any boycott request to report such involvement directly to the Department of Commerce.

Related service organizations are defined to include banks, insurers, freight forwarders and shipping companies that become involved in any way in a boycott request related to an export transaction from the U. S.

Responding to an allegation of religious and ethnic discrimination in the commercial banking community, the Comptroller of the Currency issued a strong Banking Bulletin to its member National Banks on February 24, 1975. The Bulletin was prompted by an allegation that a national bank might have been offered large deposits and loans by an agent of a foreign investor, one of the conditions for which was that no member of the Jewish faith sit on the bank's board of directors or control any significant amount of the bank's outstanding stock. The Bulletin makes it clear that the Comptroller will not tolerate any practices or policies that are based upon considerations of the race, or religious belief of any customer, stockholder, officer or director of the bank and that any such practices or policies are incompatible with the public service function of a banking institution in this country."

I am informing the Federal Deposit Insurance Corporation, the Board of Governors of the Federal Reserve System and the Federal Home Loan Bank Board that the Comptroller's Banking Bulletin reflects the policy of my Administration and I encourage them to issue similar policy statements to the financial institutions within their jurisdictions, urging those institutions to recognize that compliance with discriminatory conditions directed against any of their customers, stockholders, employees, officers or directors is incompatible with the public service function of American financial institutions.

I will support legislation to amend the Equal Credit Opportunity Act, which presently covers sex and marital status, to include prohibition against any creditor discriminating on the basis of race, color, religion, or national origin against any credit applicant in any aspect of a credit transaction.

I commend the U.S. investment banking community for resisting the pressure of certain foreign investment bankers to force the exclusion from financing syndicates of some investment banking firms on a discriminatory basis.

I commend the Securities and Exchange Commission and the National Association of Securities Dealers, Inc., for initiating a program to monitor practices in the securities industry within their jurisdiction to determine whether such discriminatory practices have occurred or will occur. I urge the SEC and NASD to take whatever action they deem necessary to insure that discriminatory exclusion is not tolerated and that non-discriminatory participation is maintained.

In addition to the actions I am announcing with respect to possible discrimination against Americans on the basis of race, color, religion, national origin or sex, I feel that it is necessary to address the question of possible antitrust violations involving certain actions of U.S. businesses in relation to foreign boycotts. The Department of Justice advises me that the refusal of an American firm to deal with another American firm in order to comply with a restrictive trade practice by a foreign country raises serious questions under the U.S. antitrust laws. The Department is engaged in a detailed investigation of possible violations.

The community of nations often proclaims universal principles of human justice and equality. These principles embody our own highest national aspirations. The anti-discriminations measures I am announcing today are consistent with our efforts to promote peace and friendly, mutually beneficial relations with all nations, a goal to which we remain absolutely dedicated.

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NOVEMBER 20, 1975

Office of the White House Press Secretary

THE WHITE HOUSEMEMORANDUM FOR THE HEADS OF
DEPARTMENTS AND AGENCIES

The purpose of this Memorandum is to underscore the applicability of Executive Order 11478, the Equal Employment Opportunity Act of 1972 (P.L. 92-261); the Age Discrimination in Employment Act of 1967 as amended by P.L. 92-269; and pursuant regulations to all Federal personnel actions, including those which involve overseas assignment of employees of Federal agencies to foreign countries which have adopted exclusionary policies based on a person's race, color, religion, national origin, sex or age.

In making selections for overseas assignment, the possible exclusionary policies of the country to which an applicant or employee is to be assigned must not be a factor in any part of the selection process of a Federal agency. United States law must be observed and not the policy of the foreign nation. Individuals, therefore, must be considered and selected solely on the basis of merit factors without reference to race, color, religion, national origin, sex or age. Persons must not be "selected out" at any stage of the selection process because their race, color, religion, national origin, sex or age does not conform to any formal or informal requirements set by a foreign nation. No agency may list in its job description circulars that the host country has an exclusionary entrance policy or that a visa is required.

If a host country refuses, on the basis of exclusionary policies related to race, color, religion, national origin, sex or age, to grant a visa to an employee who has been selected by a Federal agency for an overseas assignment, the employing agency should advise the Department of State of this act. The Department will take appropriate action through diplomatic channels to attempt to gain entry for the individual.

The Civil Service Commission shall have the responsibility for insuring compliance with this Memorandum. In order to ensure that selections for overseas assignments are made in compliance with law, Executive Order, and merit system requirements, each agency having positions overseas must:

- (1) review its process for selection of persons for overseas assignments to assure that it conforms in all respects with law, Executive Order, and merit system requirements; and

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- (2) within 60 days of the date of this Memorandum, issue appropriate internal policy guidance so that all selecting officials will understand clearly their legal obligation in this regard. The guidance must make clear that exclusionary policies of foreign countries based on race, color, religion, national origin, sex or age must not be considerations in the selection process for Federal positions. A copy of each agency's guidance in this regard should be sent to the Assistant Executive Director, U.S. Civil Service Commission, 1900 E Street, NW., Washington, D.C. 20415.

GERALD R. FORD

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Office of the White House Press Secretary

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DEPARTMENTS AND AGENCIES

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GERALD R. FORD

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Office of the White House Press Secretary

THE WHITE HOUSE
FACT SHEET

FOREIGN BOYCOTT PRACTICES AND ANTI-DISCRIMINATION POLICY

The President is today announcing a number of actions that provide a comprehensive response to any discrimination against Americans on the basis of race, color, religion, national origin or sex that might arise from foreign boycott practices.

HIGHLIGHTS OF THE PRESIDENT'S ANNOUNCEMENT:

(1) The President has signed a Directive to the Heads of All Departments and Agencies which states:

- (A) That the application of Executive Order 11478 and relevant statutes forbids any Federal agency, in making selections for overseas assignments, to take into account any exclusionary policies of a host country based upon race, color, religion, national origin, sex or age. Individuals must be considered and selected solely on the basis of merit factors. No agency may specify, in its job description circulars, that the host country has an exclusionary entrance policy or that a visa is required;
- (B) That Federal agencies are required to inform the State Department of visa rejections based on exclusionary policies; and
- (C) That the State Department will take appropriate action, through diplomatic channels, to attempt to gain entry for the affected individuals.

(2) The President has instructed the Secretary of Labor to issue an amendment to the Department's March 10, 1975, Secretary's Memorandum on the obligation of Federal contractors and subcontractors to refrain from discrimination on the basis of race, color, religion, national origin or sex when hiring for work to be performed in a foreign country or within the United States pursuant to a contract with a foreign government or company. This amendment will:

- (A) Require Federal contractors and subcontractors, that have job applicants or present employees applying for overseas assignments, to inform the Department of State of any visa rejections based on the exclusionary policies of a host country; and
- (B) The Department of State will attempt, through diplomatic channels, to gain entry for those individuals.

(3) The Administration will propose legislation to prohibit a business enterprise from using economic means to coerce any person or entity to discriminate against any U.S. person or entity on the basis of race, color, religion, national origin or sex.

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(4) The President has exercised his discretionary authority under the Export Administration Act to direct the Secretary of Commerce to amend the Act's regulations to:

- (A) Prohibit U.S. exporters and related service organizations from answering or complying in any way with boycott requests that would cause discrimination against U.S. citizens or firms on the basis of race, color, religion, sex or national origin; and
- (B) Require related service organizations that become involved in any boycott request to report such involvement directly to the Department of Commerce.

Related service organizations are defined to include banks, insurers, freight forwarders and shipping companies that become involved in any way in a boycott request to an export transaction from the U.S.

(5) The President has stated that his Administration will not tolerate discriminatory commercial banking practices or policies based upon the race or religious belief of any customer, stockholder, employee, officer or director of a bank and that such practices or policies are incompatible with the public service function of banking institutions in this country. The President supports a Banking Bulletin issued by the Comptroller of the Currency to that effect and has encouraged the Federal Deposit Insurance Corporation, the Board of Governors of the Federal Reserve System and the Federal Home Loan Bank Board to issue similar policy statements to the financial institutions within their jurisdictions.

(6) The Administration will support legislation to amend the Equal Credit Opportunity Act, which presently covers sex and marital status, to include prohibition against any creditor discriminating on the basis of race, color, religion or national origin against any credit applicant in any aspect of a credit transaction.

(7) In regard to the investment banking industry, the President has:

- (A) Commended the U.S. investment banking community for resisting the pressure of certain foreign investment bankers to force the exclusion from financing syndicates of some investment banking firms on a discriminatory basis;
- (B) Commended the Securities and Exchange Commission and the National Association of Securities Dealers, Inc. (NASD) for initiating a program to monitor practices in the securities industry within their jurisdiction to determine whether such discriminatory practices have occurred or will occur; and
- (C) Urged the SEC and NASD to take whatever action they deem necessary to insure that discriminatory exclusion is not tolerated and that non-discriminatory participation is maintained.

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(8) The Department of Justice has advised the President that the refusal of an American firm to deal with another American firm in order to comply with a restrictive trade practice by a foreign country raises serious questions under the U.S. antitrust laws. The Department is engaged in a detailed investigation of possible violations.

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July 28, 1976

ANTI-ARAB BOYCOTT AMENDMENTS

Q: What is your position on the boycott provisions of the Tax Bill adopted by the Senate.

A: We have not yet had a chance to thoroughly evaluate this provision. But, in general, we do not believe that unilateral congressional action is the appropriate means of dealing with this issue.

Last November 20, after an intensive Cabinet - level review of U.S. policy and practices in this field, the President announced a series of measures for dealing with this complex problem in a manner consistent with our basic moral principles, our laws and our economic and foreign policy interests. These measures which are beginning to take effect will put an end to the possibility of foreign - inspired discrimination against Americans on the basis of race, religion, sex or national origin.

We are also continuing to work with interested foreign governments and American companies to see what more can be done about aspects of the boycott issue per se, which is not easily soluble through unilateral Congressional or Executive Branch actions. Until there has been more time to assess the results of the substantial actions already taken, we must be very careful about taking additional steps, particularly since the effect might be more harmful than helpful to our objectives of freer and greater trade.

Aug 26, 1976

MEMORANDUM FOR: BRENT SCOWCROFT
RON NESSEN

FROM: LES JANKA

SUBJECT: Morning Press Items

1. Alleged Anti-Semitism Letter:

FYI: Yesterday the Anti-defamation League and George Meany issued statements criticizing the letter written by a CIEP staff attorney regarding the Administration's position on anti-Arab boycott legislation, claiming the letter contained anti-semitic phrases, e. g., "certain New York interest groups."

The flap has apparently been tamped down by the issuance of a White House Statement noting the lawyer's apology, and the fact that he should not have attempted to summarize the Administration's position on such a complex issue.

Suggested Guidance: If asked, about this matter, simply refer people to the statement issued by Ed Schmults, (Attached).

2. Korea: Administration Comment on the North Korean Proposals:

Suggested Guidance: We are still studying the proposal and I have nothing more to provide you on this subject.

FYI: United States forces remain in the alert status.

3. Ambassadorial Shifts:

Q. Can you confirm the Washington Post story that Washington is considering a shift of Ambassadors between Moscow and Bonn.

A. I have no comment on that story, and if and when we are prepared to make any announcements about Ambassadorial changes, we will make them in our usual manner.

4. Egyptian Hijacking:

FYI: The President's message to Sadat has not yet been delivered, so you should stick with Tuesday's guidance should this matter come up today.

THE WHITE HOUSE

WASHINGTON

August 25, 1976

Dear Dave:

We appreciated your telephone call this morning advising us of the letter written by a staff lawyer at CIEP on the Administration's Arab boycott position. The following statement represents the Administration's position on this matter:

A letter purporting to outline the Administration's position on Arab boycott legislation was brought to our attention this morning by the White House Legislative Affairs Office, as well as the Anti-Defamation League of B'nai B'rith, and an immediate inquiry was undertaken. The letter was written by a staff lawyer at CIEP who should not have attempted to summarize the Administration's position on a complex issue. In referring to "certain New York interest groups", the lawyer's summary and choice of words are offensive and inappropriate. He regrets his action and has apologized. The lawyer emphasized that he had not intended to offend anyone.

With best regards.

Sincerely,



Edward C. Schmults
Deputy Counsel to the President

Mr. David A. Brody
Director
Washington Office
Anti-Defamation League of B'nai B'rith
1640 Rhode Island Avenue, Northwest
Washington, D. C. 20036

August 12, 1976

ANTI-ARAB BOYCOTT AMENDMENTS

Q: What is your position on the boycott provisions of the Tax Bill adopted by the Senate?

A: We have not yet had a chance to thoroughly evaluate this provision, but, in general, we do not believe that unilateral Congressional action is the appropriate means of dealing with this issue.

Last November 20, after an intensive Cabinet-level review of U. S. policy and practices in this field, the President announced a series of measures for dealing with this complex problem in a manner consistent with our basic moral principles, our laws and our economic and foreign policy interests. These measures, which are beginning to take effect, will put an end to the possibility of foreign-inspired discrimination against Americans on the basis of race, religion, sex or national origin.

We are also continuing to work with interested foreign governments and American companies to see what more can be done about aspects of the boycott issue per se, which is not easily soluble through unilateral Congressional or Executive Branch actions. Until there has been more time to assess the results of the substantial actions already taken, we must be very careful about taking additional steps, particularly since the effect might be more harmful than helpful to our objectives of freer and greater trade.

ANTI-ARAB BOYCOTT LEGISLATION

Q: What is your position on the boycott provisions of the Tax Bill and the Export Administration Extension Bill adopted by the Senate.

A: We have not yet had a chance to thoroughly evaluate these provisions since the tax bill is still in conference and the House is marking up the export bill, but overall we do not believe that a unilateral Congressional action is/necessary or appropriate means of dealing with this issue.

Last November 20, after an intensive Cabinet-level review of U.S. policy and practices in this field, the President announced a series of measures for dealing with this complex problem in a manner consistent with our basic moral principles, our laws and our economic and foreign policy interests. These measures, which are beginning to take effect, will put an end to the possibility of foreign-inspired discrimination against Americans on the basis of race, religion, sex or national origin.

We are also continuing to work with interested foreign governments and American companies to see what more can be done about aspects of the boycott issue per se, which is not easily soluble through unilateral Congressional or Executive Branch actions. We must be very careful about taking additional steps, particularly

since such confrontational legislation would be more harmful
than helpful to our objectives of freer and greater trade as well
as to our efforts to promote a settlement between Israel and the
Arabs.

PRESS GUIDANCE - 9/1/76

ANTI-ARAB BOYCOTT LEGISLATION

Q: What is your position on the boycott provisions of the Tax Bill and the Export Administration Extension Bill adopted by the Senate.

A: We have not yet had a chance to thoroughly evaluate these provisions since the tax bill is still in conference and the House is marking up the export bill, but overall we do not believe that unilateral Congressional action ^a is/necessary or appropriate means of dealing with this issue.

Last November 20, after an intensive Cabinet-level review of U.S. policy and practices in this field, the President announced a series of measures for dealing with this complex problem in a manner consistent with our basic moral principles, our laws and our economic and foreign policy interests. These measures, which are beginning to take effect, will put an end to the possibility of foreign-inspired discrimination against Americans on the basis of race, religion, sex or national origin.

We are also continuing to work with interested foreign governments and American companies to see what more can be done about aspects of the boycott issue per se, which is not easily soluble through unilateral Congressional or Executive Branch actions. We must be very careful about taking additional steps, particularly

since such confrontational legislation would be more harmful than helpful to our objectives of freer and greater trade as well as to our efforts to promote a settlement between Israel and the Arabs.

[See attached talking paper]

BOYCOTT LEGISLATION

Q. Does the President continue to oppose the boycott legislation now pending on the Hill with its stiff penalties and possible adverse impact on U. S. foreign policies?

A. The President has taken the strongest executive action in American history against foreign economic practices that discriminate against American citizens. He feels that his initiatives are producing results. He has expressed his determination that everyone will know how seriously we regard this issue. The President's main objective is to produce results and not take actions which will be counter-productive. ~~Although he believes~~ ^{IF} the actions he has already taken ~~are~~ ^{PROVE NOT TO BE} adequate, ~~if necessary,~~ he will support legislation ^{if necessary,} to achieve these objectives.

ARAB BOYCOTT/EMBARGO RETALIATION

Q: We have seen reports that the Saudi Arabian Government has warned US 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 they right?

It is still unclear what will come from the Congress on this question. The Administration has opposed additional legislation as not being the most effective way to deal with the boycott problem. We will not comment further until we see what the Congress actually produces in the way of a final bill.

FYI: See attached previous guidance on Arab Boycott which is still relevant.

EXPORT ADMINISTRATION ACT
(H. R. 15377)

Q. Yesterday, Marilyn Berger and Joe Policoff asked for the President's position on the Export Administration Act, which contains the anti-boycott amendment. Among the questions was whether the Administration was trying to block the bill and whether Senator Tower had told the President it should not be voted on.

GUIDANCE:

This is an extremely complex issue which involves not only the Administration's position regarding Arab boycott legislation, but it also involves the Zablocki Amendment regarding nuclear exports. It is my understanding that the House and Senate conferees will be discussing the matter again today, and therefore, I am reluctant to comment specifically on a fluid and fast-moving legislative situation.

As a follow-up to the questions I received yesterday, I can tell you that the Administration has been in close touch with key conferees and we have offered a constructive compromise on the Arab boycott provisions which we believe provide a responsible means of meeting the interests of all sides. We hope the conferees will give this compromise serious consideration.

With regard to the question of whether Senator Tower is acting on the President's behalf in blocking consideration of this legislation in the Senate, I would point out that Senator Tower is the ranking Republican on the Senate Banking and Currency Committee and he has

consistently opposed legislation regarding Arab boycotts. He is acting on his own behalf on this matter, not on behalf of the President and you will have to speak to Senator Tower regarding any of his detailed views regarding the holding on this legislation. I would also point out that Senator Tower has accepted the Administration's proposed compromise and therefore if the rest of the conferees accept the compromise the deadlock will be broken.

FYI ONLY:

Part of the Administration's compromise, which is based on modification of the Stevenson provisions, is that the conferees drop the Zablocki Amendment completely.

FURTHER FYI:

You should strongly resist efforts to be drawn into discussing details of the various proposals because of the very fluid legislative situation. You should also make very clear that there is no question or issue of Arab blackmail regarding threats of threats of retaliation by another oil embargo.

REMARKS TO JEWISH LEADERS ON AID BOYCOTT

Q: Can you confirm the reports, attributed the White House officials, that the President is satisfied with the boycott language in the tax bill?

A: I have had an opportunity to look over the notes of that meeting and I do not find anything the President said to confirm those reports.

The President said that he had not seen the final language of the bill but that he had been told that the language worked out in the conference would permit the intent of the legislation to be carried out without a punitive impact on American Business. The President said he thought this might prove to be a responsible approach to solving problems we saw in the legislation and that Treasury experts would have to work out regulations to implement the provision.

We are still studying the many provisions of that complex bill, and I am not prepared to say whether we are satisfied with any particular language at this time.

MAVERICK SALES KILLED

Q: Is the President pleased that Congressional efforts to kill the sale of Maverick bombs to Saudi Arabia appear dead?

A: We are pleased that the Senate Foreign Relations Committee has apparently decided not to proceed with its resolution to terminate this sale.

As Secretary Kissinger said yesterday following his meeting with the SFRC, our position has consistently been that to stop the sale of Mavericks to Saudi Arabia would have a severe impact on our relations out of proportion to the Technical Military issues involved.

Saudi Arabia has been a good friend of the U.S. It has played a stabilizing role in the Middle East and OPEC. It has been helpful in peace efforts and it is in our interest to retain the friendship and the moderate role Saudi Arabia has played. We also believe this is in the interest of Israel as the United States seeks to play a constructive role among all parties in bringing about a peaceful settlement in the Middle East.

F.Y.I.: If Asked: There is no issue of blackmail or an oil embargo. HAK said he did not see arms cut off leading to an embargo decision; this issue is rather one of a confident, responsible relationship with Saudi Arabia.

F.Y.I. : Detailed questions should be referred to Asst. Secretary Atherton's superb testimony before the HIRC last Monday.

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

cc: Jack Marsh - FYI
Bill Seidman

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?

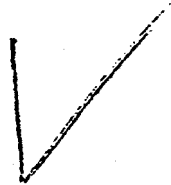
Answer:

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 11, 1976

SUBJECT:

ARAB BOYCOTT LEGISLATION

Did the President contact Tower reference Arab Boycott Amendments at the closing of the end of Congress?

GUIDANCE: At the personal instructions of the President, two bonafide compromises between the House and Senate language was offered by the White House in the closing days of the Congress. Both were rejected. The first offer was rejected by the Democratic majority and the second was rejected by Senators Tower and Abourezk.

Senator Tower acted entirely on his own and contrary to the wishes of the President. We wanted the Export Administration without any amendments, but would have supported compromise Arab Boycott amendments, and did propose two such compromises. If Tower had gone along with the President's request, Senator Abourezk was even more firm and opposed to any Arab Boycott amendment, as Tower.

Max Friedersdorf did contact Senator Tower on behalf of the President, but Tower was adamantly opposed to our compromise or any such legislation.

JGC

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

[10/20/76]

Arab Boycott

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

Arab Boycott

Question:

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

Answer:

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.

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.
- 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

Arab Boycott

Question:

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October 20, 1976

Arab Boycott

Q. Your theory on the Arab boycott is that exposure of the names of participants would cure the problem. The names of many companies have now been published but nearly all of them say they intend to continue their current practices. What do you plan to do now?

A. I think we are proceeding on the right track, and I think our progress will become more evident over time.

It is a mistake to try to take a complicated situation and suggest that any one step is the magic solution. To do so would be a disservice to the American people.

Over the last year and a half I am proud that my Administration has been the first to take strong executive action to combat the effects of the Arab boycott.

Our latest action is part of a total approach to the problem -- not just an isolated step.

We have acted in a responsible and effective way not only to bar certain actions but also to provide the American public with more information about the boycott and its impact.

We continue to make clear to foreign nations as well as American businesses our moral and legal opposition to the boycott. And the fact is, we have made a lot of progress in just a year and a half.

Complicated problems are not often resolved over night. The important thing is that we work to make progress.

BACKGROUND

There has been some confusion regarding the initial release by the Commerce Department of reports of boycott compliance. In some instances the companies involved have trade relations with Israel but the "compliance" takes the form of a certification to the Arab country that the goods in question are not of Israeli origin.

Domestic Council
10/19/76

Follow-up Question:

- Q. Mr. Carter promised yesterday that he will eliminate the Arab boycott. Can it be done?

- A. I've heard so many promises from him that I've almost stopped listening. He has a list of political IOU's in this campaign as long as your arm.

Just yesterday he promised an elderly audience in Florida that he would inaugurate a compulsory health insurance program and then he told a more conservative audience in North Carolina that he would balance the budget. Maybe he knows that many people no longer take his campaign promises seriously.

ARAB BOYCOTT LEGISLATION

Q: Representative Rosenthal, who was a conferee on the Export Administration Act, stated yesterday that neither he nor his colleagues had received a hint of compromise from the Administration on the boycott legislation. However, the President has stated that he offered two compromises and they were turned down.

A: I can only repeat that at the personal instructions of the President, two bona fide compromises between the House and Senate language were offered by the White House in the closing days of the Congress. Both were rejected. It is my understanding that Representative Rosenthal was contacted, I believe by a representative of the Jewish Community, on the Administration's behalf, and indicated he would not accept a compromise. Several of his colleagues were also contacted.

ARAB BOYCOTT

Q: Mr. President, Governor Carter has said that if he is elected he will put an end to Arab boycott practices. Would you comment.

A: The basic problem here is the bitter antagonism between the Arab countries and Israel. Unless we attack that problem and try to solve it, it is misleading to the American people to think that the boycott will simply be ended because we say it should be. The answer to the problem of the Arab boycott is to get a lasting peace in the Middle East. That is the objective we have pursued over the last two years and we now may have favorable prospects in the period ahead.

It is important to understand that any discrimination by American trading firms on the basis of race, religion, or national origin has been totally and completely ended by my actions last November. The boycott itself was established by the Arab governments; only they can end it. What the U.S. Government can do is to take action to deal with its effects. The actions we have taken, including my recent decision to make public reports of boycott activity, will go a long way toward inhibiting participation and reducing its effect, so the answer must be sought in a comprehensive peace settlement. I am sure Governor Carter knows this and any other approach is simply another impossible promise.

ARAB BOYCOTT

Q: Can you give us a progress report on what the various agencies are doing to carry out the President's directive?

A: The Justice Department has instructed its Antitrust Division and its Civil Rights Division to study the matter to determine whether there are violations of federal law and also to determine if new laws are needed.

The Commerce Department is pulling together all of the information it has on this boycott so it will be available to any agency that needs it. As you may know, Commerce continually monitors any kind of economic sanctions that are used against American companies.

Stevenson Amendment to the Export Administration Act Bill

The Stevenson amendment would:

-- mandate public disclosure of required reports to the Commerce Department of responses by U. S. firms to boycott related requests. The firm must not only report that it has received such a request but also the extent to which it has or intends to comply.

-- prohibit domestic concerns from furnishing information regarding any person's race, religion or national origin where such information is sought for the purpose of enforcing or implementing a restrictive trade practice or boycott.

-- prohibit refusals to deal among U. S. firms pursuant to foreign boycott requirements or requests.

These provisions are incorporated in the export bill as it was reported to the floor. Full Senate action on the bill is expected Monday, August 30.

Proposed Rosenthal-Bingham Amendment to the Export Administration Act

The House International Relations Committee will consider the Rosenthal-Bingham boycott amendment during its mark-up session Tuesday, August 31. In present form this amendment:

-- requires public disclosure of required reports to the Commerce Department of boycott-related requests.

-- states that no U. S. person shall take any action with the intent to comply with, further or support any trade boycott against a country friendly to the United States. Prohibited actions include:

- discrimination against any U. S. person on the basis of race, color, religion, sex, nationality or national origin.

- boycotting or refraining to do business with any U. S. person, with the boycotted country, with a business concern or national of or within the boycotted country, or with any person or concern who has, does or intends to do business in the boycotted country.

- furnishing information about any past, present or proposed business relationship with any of the above.

- furnishing information with respect to race, religion, etc. of any past, present or proposed employee, officer, stockholder, etc. of a U. S. concern.

Ribicoff Amendment to the Tax Bill

In its present form, the Ribicoff amendment would deny the following tax provisions to taxpayers who agree to participate in, or cooperate with, an international boycott: the foreign tax credit, the foreign tax deferral, benefits of DISC, the exemption on income of U. S. citizens residing abroad. A taxpayer is deemed to have participated in, or cooperated with, a boycott if the taxpayer agrees as a condition of doing business, either directly or indirectly, within a country or with a government, a company, or national of a country, to refrain from doing business:

- (1) in another country (or with the government, companies, or nationals of another country);
- (2) with any United States person engaged in trade in another country (or with the government, companies, or nationals of another country), or
- (3) with any company whose ownership or management is made up of individuals of a particular nationality or religion, or to remove (or refrain from selecting) corporate directors who are individuals of a particular nationality or religion.

THE ADMINISTRATION STRONGLY OPPOSES TITLES 2 AND 3 OF S. 3084 WHICH WOULD:

-- mandate disclosure of required reports to the Commerce Department of responses by U. S. firms to boycott-related requests;

-- duplicate laws or regulations already in effect which bar discrimination in export transactions on the basis of race, religion or national origin;

-- prohibit refusals to deal among U. S. firms pursuant to foreign boycott requirements or requests.

1. THE ADMINISTRATION HAS ALREADY TAKEN STRONG MEASURES TO DEAL WITH INTERNATIONAL BOYCOTTS AND DISCRIMINATORY PRACTICES. FURTHER LEGISLATION IS UNNECESSARY.

With regard to the boycott:

The Justice Department has:

-- filed a major anti-trust suit to prohibit implementation of contractual provisions requiring one U. S. firm to refuse to deal with other firms in the U. S. or requiring subcontractors to do so.

The Commerce Department has:

-- extended the mandatory boycott reporting requirements to service organizations such as banks and insurers;

-- expanded its program to inform U. S. exporters of U. S. boycott opposition policy and encourage non-compliance with boycotts;

-- accelerated its enforcement of export regulations relating to the boycott;

-- stopped disseminating to U. S. exporters trade opportunity information drawn from documents with boycott clauses;

Other U. S. Government agencies such as AID, Exim Bank and OPIC have refused to participate in transactions governed by contracts with boycott clauses.

With regard to discrimination:

On November 20 the President reaffirmed his commitment to tolerate no boycott-related discrimination against U. S. citizens. As a result:

-- Export regulations now prohibit compliance with any boycott request involving discrimination against U. S. citizens on basis of race, religion, color, sex or national origin.

-- Neither the U. S. Government nor federal contractors can select personnel for overseas assignments on a discriminatory basis and the State Department must follow up any discriminatory visa denial for such personnel through diplomatic channels (To date all such efforts have been successful.);

-- The SEC, Federal Reserve Board and FDIC have advised their regulated industries against discriminatory action;

The Administration considers these actions and existing civil rights laws sufficient to eliminate the threat of boycott-related discrimination against Americans. If experience indicates further action is necessary, the Administration will take it.

2. NEW ANTI-BOYCOTT LEGISLATION COULD IMPEDE U. S. EFFORTS TO PROMOTE A SETTLEMENT BETWEEN ISRAEL AND ARAB STATES.

-- Our fundamental national interests require a positive U. S. role in the promotion of an Arab-Israeli peace settlement. The alternative is retrogression to hostilities, terrible suffering by both Israelis and Arabs, a grave exacerbation of international tensions, instability and possibly another oil embargo.

-- To be effective, the United States must maintain the confidence and credibility of both sides.

-- We believe new anti-boycott legislation will be seen as a confrontational act which will strengthen the hand of opponents to closer Arab-U. S. ties and further progress towards peace and be harmful to our overall economic and political interests in the Middle East.

-- Arab countries perceive the boycott as a legitimate policy tool in their existing dispute with Israel. Accordingly, the ultimate solution to the boycott issue, like solutions to the issues of territory, security, sovereignty and recognition, all of which characterize the Arab-Israeli dispute, must be found in the context of further progress towards a peaceful settlement acceptable to both sides.

3. NEW LEGISLATION COULD HINDER CURRENT EFFORTS TO OBTAIN RELAXATION OF BOYCOTT ENFORCEMENT AND HURT THE U. S. ECONOMY

-- While the most effective means of eliminating the boycott is progress towards an overall peace settlement in the Middle East, careful and nonconfrontational actions taken by the Administration have produced encouraging modifications in boycott practices which have mitigated the practical effect of the boycott on U. S. firms.

-- However, passage of stronger anti-boycott legislation carries a very high risk of open political confrontation and more stringent rather than more flexible enforcement of boycott regulations.

-- The response of key Arab states to new legislation could be a shift to third country suppliers for a wide range of goods and services now supplied by U. S. firms (with the resultant adverse effect on U. S. income and jobs).

4. NEGATIVE ASPECTS OF PROPOSED LEGISLATION

A. Disclosure

-- Making public Commerce Department information about U. S. firms' compliance with boycott requests will also make available information concerning noncompliance. This disclosure could give boycott officials an enforcement tool and make it more difficult for Arab business partners to tolerate de facto noncompliance by U. S. businesses.

B. Refusals to Deal

-- The U. S. antitrust laws prohibit agreements or conspiracies to engage in anti-competitive boycott activities. The refusal-to-deal provisions would go beyond the scope of the antitrust laws by, among other things, prohibiting boycott activities which are not connected with undefined "restrictive practices." If put into force, such legislation could deal a very serious blow to direct U. S. business with the Middle East.

-- These provisions could have the unintended and undesirable effect of encouraging some firms to make general use of non-boycotted suppliers in their worldwide trade, since making general use of boycotted firms except for projects in boycotting countries might be considered prima facie evidence of refusal to deal.

-- Responsible enforcement would require extensive staffing and funding resources which Congress heretofore has been reluctant to provide even for the enforcement of existing Export Administration Act provisions directly related to national security interests.

ARAB BOYCOTT OF U.S. FIRMS

Q: What action can the government take to stop such action by the Arabs?

A: I am told ^(be looking) The Justice Department will ~~look~~ into the matter to see if any Federal laws are being violated. If they find that ~~they~~ ~~there~~ there are areas where they have jurisdiction, they will proceed accordingly. (This is from Silberman, FYI)
The Commerce Department ~~is~~ continually monitors any ~~the~~ kind of economic sanctions against American companies. Secretary Dent has directed his staff to pull all of the information together they have on this boycott so it will be available to any agency that would need it.

But I think the President really ~~answered~~ answered this question yesterday when he said that he has asked the Departments of State, Justice and Commerce to investigate any allegations. The actual action that would be taken will be forthcoming from recommendations to ~~the~~ the President, and he does not have those reports.

SIMON ON BOYCOTT

Q: How do you explain Secretary Simon's letter expressing Administration opposition to the Boycott provisions of the Tax Bill?

A: Secretary Simon's letter was written to express the Treasury Department's view that the boycott provisions of the Bill as originally drafted were an inappropriate use of our Tax System for non-tax purposes.

As you know, there were substantial changes subsequently made in constellation with Treasury to these provisions which made the Bill acceptable to the President.

Anti-Arab Boycott Provisions The bill contains a provision which would require firms to file an International Boycott Report on income derived from foreign operations in a country which requires participation in the Arab boycott as a condition to do business there. Failure to report would result in a \$25,000 fine or up to one year in jail.

from

Any income derived directly or indirectly / participation in the boycott would be denied the foreign tax credit, foreign tax deferral and the DISC.

Bribery Provisions The bill would also require a report on any income derived as a result of a bribe, illegal payment, etc. The same penalties would pertain for failure to report. Any bribe-related income would lose the foreign tax credit or deferral and the DISC.

ARAB BOYCOTT

Q: Mr. President, Governor Carter has said that if he is elected he will put an end to Arab boycott practices. Would you comment.

A: The basic problem here is the bitter antagonism between the Arab countries and Israel. Unless we attack that problem and try to solve it, it is misleading to the American people to think that the boycott will simply be ended because we say it should be. The answer to the problem of the Arab boycott is to get a lasting peace in the Middle East. That is the objective we have pursued over the last two years and we now may have favorable prospects in the period ahead.

It is important to understand that any discrimination by American trading firms on the basis of race, religion, or national origin has been totally and completely ended by my actions last November. The boycott itself was established by the Arab governments; only they can end it. What the U.S. Government can do is to take action to deal with its effects. The actions we have taken, including my recent decision to make public reports of boycott activity, will go a long way toward inhibiting participation and reducing its effect, so the answer must be sought in a comprehensive peace settlement. I am sure Governor Carter knows this and any other approach is simply another impossible promise.