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CABINET MEETING

Wednesday, January 7, 1976

11:00 A. M.

THE PRESIDENT HAS SEEN.

THE PRESIDENT HAS SEEN....

THE WHITE HOUSE

WASHINGTON

January 6, 1976

CABINET MEETING

Wednesday, January 7, 1976

11:00 a.m. (90 minutes)

The Cabinet Room

From: James E. Connor

I. BACKGROUND, PARTICIPANTS & PRESS PLAN

1. Background:

This will be your first meeting with the Cabinet in the new year. (The agenda is attached at Tab A) You last met with the Cabinet on December 10th when the agenda covered a debriefing on your Pacific Basin trip and briefings on various campaign related issues.

2. Participants: Attached at Tab B.

3. Press Plan: Press Photo at Beginning of Meeting and David Kennerly Photo.

II. TALKING POINTS

1. We have a full agenda today, but before we begin with the first item, I want to take this opportunity to mention the success of the Combined Federal Campaign recently completed under Frank Zarb's leadership. I have been informed that we exceeded the goal of \$9.5 million and by final audit in March we expect to have a total of \$10 million. This is the most successful campaign in CFC's history, and I want to thank Frank and all those who worked so hard on the program.

The Departments of Agriculture, Defense, State and Treasury exceeded their goals this year, and I congratulate them for their fine efforts. [You might wish to be aware that the Congress reached only 7% of its goal while the Executive Departments reached 94% of their goal.]

2. The first item on our agenda is a discussion of the Arab Boycott Discrimination issue. I want to have a review of where we stand on the broad issue, following the November 20 announcement of the decisions I made on foreign boycotts and discrimination. [FYI: General Scowcroft has prepared a background memorandum for you on the subject which is attached at Tab C.]

The decisions I made were intended to strike a balance which would adequately meet different and sometimes conflicting domestic and foreign policy concerns, economic interests and laws and traditions opposing discrimination.

I understand we are beginning to get a reaction to my decisions and certain other actions which have been taken or are pending, some of which apparently go beyond what had been intended, and that some of the legislation being considered by Congress would have seriously damaging effects on our foreign policy and economic interests.

I'd appreciate hearing your views on where we stand at present and what we are likely to face in the months ahead. Ed Schmults will start us off with a summary of actions taken, and then I would like to hear from the Departments directly concerned with the problem. [Secretary Kissinger is prepared to review the foreign policy context of the issue and Secretary Rumsfeld is prepared to comment on the potential impact of the Case Amendment on our security relations with Saudia Arabia. The Departments directly concerned are Justice (Ed Levi), Commerce (Rog Morton), and Treasury (Steve Gardner, attending for Secretary Simon who is at the IMF meetings in Jamaica)--all of whom will be prepared to comment.]

Ed (Schmults), why don't you begin the discussion.

[After all the views have been expressed] This is a very serious, important issue and will have to be followed closely in the months ahead if we are to maintain that delicate balance needed to protect the varied interests of the United States. I am sure that all of you will be working closely together toward this end and that you will stand firm in the face of any pressure to go beyond the limits of our strategy.

3. As you are aware, we will have the presentation of the budget for the press on January 20th at a briefing at State Department. I understand most of you will be there. I have asked Jim Lynn to lead a brief discussion of the importance we attach to the support, both in public and private, of the budget figures we have arrived at. Jim, , ,
4. The beginning of the year seems an appropriate time for us to take a look at the economic situation and the prospects for the coming months. I have asked Alan Greenspan to describe the situation for us. Alan, . . .
5. At the last Cabinet meeting we had some detailed discussions of Cabinet participation in campaign activities. This meeting today seems an appropriate forum to discuss the Spokesmen's Program that is being developed with the PFC.

I will not be able to stay and participate in the discussion, but I have asked Rog Morton and Dick Cheney to discuss the subject with you. Dick will begin.

THE WHITE HOUSE
WASHINGTON

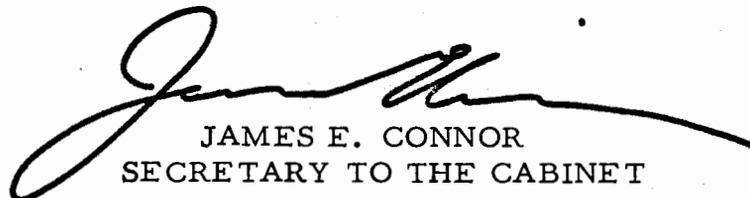
January 6, 1976

MEMORANDUM FOR
THE CABINET

SUBJECT: AGENDA FOR CABINET MEETING
JANUARY 7, 1976 - 11:00 A.M.
THE CABINET ROOM

The President has approved the following agenda for the Cabinet meeting scheduled for Wednesday, January 7th, at 11:00 a.m.

Introduction	<u>The President</u>	10 minutes
Review of Arab Boycott Issues	<u>Edward Schmults</u>	15 minutes
Budget Review	<u>James Lynn</u>	10 minutes
Economic Review	<u>Alan Greenspan</u>	15 minutes
Spokesmen's Program	<u>Richard Cheney</u>	30 minutes


JAMES E. CONNOR
SECRETARY TO THE CABINET

Attendees - Cabinet Meeting
Wednesday, January 7, 1976

The President
The Vice President

The Secretary of State, Henry A. Kissinger
The Secretary of Defense, Donald H. Rumsfeld
The Attorney General, Edward H. Levi
The Secretary of the Interior, Thomas S. Kleppe
The Secretary of Agriculture, Earl L. Butz
The Secretary of Commerce, Rogers C. B. Morton
The Secretary of Health, Education and Welfare, F. David Mathews
The Secretary of Housing and Urban Development, Carla A. Hills
The Secretary of Transportation, William T. Coleman
The Deputy Secretary of the Treasury, Stephen S. Gardner (for Secretary
Simon who is attending IMF meetings in Jamaica)
The Under Secretary of Labor, Robert O. Aders (for Secretary Dunlop
(who is out of town)
The Counsel to the President, Phil W. Buchen
The Special Representative for Trade Negotiations, Frederick B. Dent
The Counsellor to the President, Robert T. Hartmann
The Director of the Office of Management and Budget, James T. Lynn
The Counsellor to the President, Jack O. Marsh, Jr.
The U. S. Representative to the United Nations, Daniel P. Moynihan

White House/Executive Office:

James Cannon, Assistant to the President for Domestic Affairs
Richard Cheney, Assistant to the President
James Connor, Secretary to the Cabinet
Alan Greenspan, Chairman, Council of Economic Advisers
Ronald Nessen, Press Secretary
General Brent Scowcroft, Assistant to the President for National Security Affairs
L. William Seidman, Assistant to the President for Economic Affairs
Edward Schmults, Deputy Counsel
Peter Roussell, Staff Assistant [for the Spokesmen's Program presentation]

Agencies:

Richard Colby, Director, Central Intelligence Agency
Russell Train, Administrator, EPA
Frank Zarb, Administrator, FEA

Other:

Howard (Bo) Callaway, PFC
Mary Louise Smith, RNC

C



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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MEMORANDUM

THE WHITE HOUSE
WASHINGTON

7170
Add-on #4

CONFIDENTIAL (GDS)

January 6, 1976

MEMORANDUM FOR: THE PRESIDENT

FROM: BRENT SCOWCROFT 
ED SCHMULTS 

SUBJECT: Initial Assessment of the Effect of Your Arab Boycott/Discrimination Decisions

On November 3 you made a number of decisions that provided 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. These decisions were based upon a package of proposals presented by the White House Counsel's Office, the NSC staff and an inter-agency group including the Departments of State, Justice, Commerce, Defense and Treasury. On November 20, you issued a Statement on foreign boycotts which contained an explanation of each of your decisions. This Statement and a Press Office fact sheet are attached at Tab A.

In addition to the follow-up actions required to implement the proposals you approved, several additional significant actions concerning the Arab boycott and discrimination have been taken by agencies of the Executive Branch, notably the Departments of Commerce and Justice and the independent Federal Reserve Board. Several potentially significant bills on this issue are pending in Congress, and various Jewish leaders and organizations have been arguing for still tougher action by both the Executive and Legislative Branches.

A more complete description of the significant additional actions taken or pending since your November 20 statement is attached at Tab B, but those which are considered to be potentially damaging to our foreign and economic policy interests are summarized briefly below:

Actions by the Executive

--The Attorney General has decided to file suit against the Bechtel Corporation for possible violation of anti-trust statutes by agreeing with Arab Governments not to deal with other American firms which are on

Subject to GDS of E. O. 11652
Automatically Declassified on
December 31, 1982.

CONFIDENTIAL (GDS)

KR 4-22-88

the Arab boycott list. The possibility of such actions was noted in your statement of November 20, but it is reportedly creating considerable concern within some American business circles because of uncertainty as to the vigor and extent with which the Department intends to press anti-trust actions against American firms which choose to comply with the boycott in order to do business with the Arab world.

--The Board of Governors of the Federal Reserve Board has issued a letter to member banks going far beyond what you requested of the Federal Reserve Board in your November 3 decision and November 20 Statement, advising that the "participation of a U.S. bank even passively, in efforts by foreign nationals to effect boycotts against other foreign countries friendly to the United States. . . is, in the Board's view, a misuse of the privileges and benefits conferred upon banking institutions." The major American banks are very concerned that this will effectively preclude their doing business with Arab governments which as a matter of routine include the standard Arab boycott language in their credit documents. They are presently consulting with the Federal Reserve Board about the interpretation of the Board's letter.

Pending Legislative Matters

--The Senate Foreign Relations Committee has approved an amendment submitted by Senator Case which would prohibit by law the United States Government from the furnishing or sale of defense services or articles or the granting of credits or guarantees to any country whose laws prohibit any person, partnership or corporation from participating in such activity or prohibit the entry of any individual participating in such activity on the grounds of race, religion, national origin or sex. This goes far beyond your November 3 decision and November 20 statement which essentially instructs the Department of State to make every effort to achieve the objectives sought by Senator Case but does not necessarily commit the United States not to do any further business with a country which might so discriminate.

--The Senate Banking Committee has approved a Foreign Boycotts Act, over opposition by the Executive Branch, which calls for public disclosure of the names of U.S. firms which have received Arab boycott requests. Legislation is pending in the House which would prohibit U.S. companies from answering or complying in any way with boycott requests. This goes far beyond the actions by the Department of Commerce pursuant

to your November 3 decision and November 20 Statement. Legislation of this sort is disturbing to U. S. companies which fear they will be forced to discontinue doing business with the Arab world.

Your November 20 Statement represents a balanced policy which the concerned agencies believed would meet domestic concerns, be consistent with our traditions and laws against discrimination and still continue to protect our foreign policy and economic interests. It was also regarded as constituting the basis for Administration opposition to pending legislation and outside pressures for further Executive action which would be both counter-productive in reducing the effects of the boycott and damage seriously our considerable foreign policy and economic interests in the Arab world.

The actual impact of these actions on our foreign and economic policy interests cannot yet be accurately measured, although the degree of concern expressed by Arab Governments and U. S. companies is increasing. The reaction has been different in different Arab countries but the most important one, Saudi Arabia, has reacted the most violently--misreading the President's statement, other actions by the Executive Branch, and actions by the Congress and Jewish groups as all being part of an effort to disrupt US-Saudi relations for the benefit of Israel. [Prince Fahd raised these points again in his talk with Assistant Secretary Atherton at Tab C.] Other Arab Governments (e. g. Kuwait and Egypt) have reacted with greater understanding and less immediate concern, although they are anxiously trying to assess the actual effect on US economic cooperation with the Arab world. There are few signs that the fundamental Arab position on the boycott will change, no matter what pressure we apply. Previous signs of some Arab (even Saudi) flexibility with respect to the application of the boycott and visa regulations are still visible. However, this attitude could change to one of confrontation--particularly with the Saudis--if we are unable to keep actions by the Executive Branch and Congress within the approximate guidelines constituted by your November 3 decisions rather than forcing a direct confrontation with the Arab Governments on the boycott issue. The leaders of Saudi Arabia, for example, have told us clearly that there is room for quiet, practical improvement in the application of visa and business policies related to the Arab boycott but that they will react very strongly against any attempt to force their hand by public pressure and U. S. legislation.

The January 7 Cabinet Meeting will provide an opportune moment for you to review your November 20 Statement with the Members of the Cabinet and to have presented an assessment of the overall impact which has resulted from the Presidential Statement and subsequent actions, as well as an estimate of the effect of pending measures. A review of the November 20 Statement and additional actions taken or pending could be given by Ed Schmults and it would be followed by a discussion of the legal ramifications by Attorney General Levi, the foreign policy impact by Secretary Kissinger and the commercial and economic impact by Secretaries Morton and Simon. Secretaries Rumsfeld and Kissinger could comment on the potential impact of the Case Amendment on our security relations with Saudi Arabia.

Talking points are at Tab D.

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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B



ARAB BOYCOTT/DISCRIMINATION ACTIONS

I. Executive Branch Actions

(a) On November 20, the Presidential Directive to the Heads of All Departments and Agencies was issued forbidding 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. The Directive requires Federal agencies to inform the State Department of visa rejections based on exclusionary policies. On November 24, the Secretary of Labor issued an amendment to his Department's Memorandum on overseas assignment discrimination to 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.

(b) Legislation will be submitted upon the return of Congress 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.

(c) On November 20, the Secretary of Commerce issued regulations under the Export Administration Act effective December 1 to 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. Related service organizations that become involved in any boycott request would be required to report such involvement directly to the Department of Commerce.

(d) On November 26, the Commerce Department, with the strong support of Justice but with only the reluctant support of State, issued a Secretarial Circular which announced that effective December 1 the Commerce Department would not disseminate or make available for inspection any documents or any information on trade opportunities obtained from documents or other

materials which were known to contain boycott conditions that sought to impose or foster a restrictive trade practice or boycott against another company friendly to the United States.

(e) On December 9, Secretary Morton reached an agreement with Congressman Moss under which the Commerce Department agreed to transmit to the Subcommittee on Oversight and Investigations of the House Committee on Interstate and Foreign Commerce on a confidential basis the names of firms which have answered questions on the Arab boycott pursuant to Commerce Department regulations (i. e., regulations until October 1 did not require a firm to answer whether or not it was going to comply with the boycott. As of October 1, that answer is mandatory).

(f) Justice Department Antitrust Suit: Since early in 1975, the Justice Department had been investigating eleven firms for possible antitrust violations resulting from the alleged refusals of those American firms to deal with other American firms in order to comply with the secondary boycott of Israel imposed by the Arabs. As a result of these investigations, the Attorney General in December made the decision to file suit against the Bechtel Corporation for antitrust violations. The filing of that suit has been delayed at the request of Secretary Kissinger in order to permit State to inform Saudi Arabia, with which Bechtel does considerable business, of the pending suit and to explain to the Saudis the situation under which it arose. It is possible that there will be other antitrust suits of this nature.

II. The Federal Reserve Board

On December 12, the Board of Governors of the Federal Reserve System issued a letter to each of the twelve Federal Reserve Banks for transmittal to the approximately 5800 commercial banks that are members of the Federal Reserve System. That letter was phrased in very strong language, and its policy implications went considerably beyond the Administration's position against religious or ethnic discrimination resulting from the boycott. The Reserve Board letter, in its effect, would eliminate the practice of United States banks participating in the issuance of letters of credit containing provisions intended to further a boycott against a foreign country friendly to the U.S. The practice appears to have arisen

in commercial transactions between U. S. exporters and foreign importers, in which the importer has arranged for the issuance of a bank letter of credit as a means of making payment to the exporter for the goods he has shipped. In some cases the importer has required, as one of the conditions that must be satisfied before payment can be made by the U. S. bank to the exporter, that the exporter provide a certificate attesting that it is not connected in any way with a country or firm being boycotted by the importer's home country, or is otherwise in compliance with the terms of such a boycott.

The Reserve Board policy could have a serious detrimental effect on the feasibility of U. S. trade with the Arab world and the American banking community is presently consulting with the Federal Reserve Board about the interpretation of the Reserve Board letter.

III. Federal Home Loan Bank Board

On December 19, the Federal Home Loan Bank Board issued a Memorandum to All Chief Executive Officers of Insured Institutions (Federal savings and loan associations) citing the President's November 20 Statement and informing the institutions that they must continue to serve the needs of all members of the public in a nondiscriminatory manner.

IV. Securities and Exchange Commission

On November 21, the SEC issued a Release expressing its support for the President's November 20 Statement and declaring that any attempts to implement discriminatory practices, in connection with the purchase or sale of securities, would be contrary to the public interest and to the protection of investors and would be inconsistent with just and equitable principles of trade. The SEC warned that such activities could subject those involved to disciplinary proceedings by the National Association of Securities Dealers or to appropriate action by the Commission.

V. Legislative Action

(a) The Senate Foreign Relations Subcommittee on Foreign Assistance in its mark-up of the Security Assistance Bill on November 20 adopted the Case Amendment on discrimination despite strong opposition from the Administration which included letters from Secretary Kissinger to Senators Humphrey, Sparkman, and Case. This Amendment provides that if the laws, regulations, or governmental practices of any foreign government prevent any person, partnership or corporation of the U. S. from furnishing defense articles or services under the FAA or FMISA or any military education or training, on account of race, religion, sex or national origin, the President shall immediately terminate such assistance or sales. If enacted, the Case provision would have the probable effect of terminating all USG transactions with Saudi Arabia. The full Foreign Relations Committee will consider the legislation when Congress reconvenes in January.

In the House, the International Relations Committee defeated a similar amendment offered by Congressmen Solarz and Bingham. In its place, the Committee adopted a less onerous amendment which would oblige the President to cancel any individual USG transaction with a foreign country (read Saudi Arabia) if discrimination on the basis of race, national origin, religion, or sex were involved in that particular case.

(b) The Bingham Bill (H. R. 4967) would prohibit U. S. companies from answering or complying in any way with boycott requests. The bill is currently pending before the House International Relations Subcommittee of the International Trade and Commerce Committee. Hearings were held two weeks ago and additional ones are tentatively scheduled for January. Thus far, there is no evidence of strong pressure to report the legislation out. The present attitude seems to be to wait and see what results from the President's initiatives of November 20.

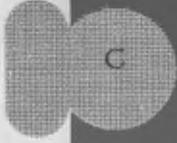
The Drinan Bill (H. R. 5913) is very similar to the Bingham bill. It would also prohibit U. S. companies from answering or complying in any way with boycott requests. No hearings are presently scheduled.

(c) The Senate Banking Committee has approved a Foreign Boycotts Act which will be introduced and reported when Congress reconvenes in January. The bill is a product of committee consideration of a variety of related legislative proposals including those introduced by Senators Williams (S. 425) and Stevenson (S. 953). Extensive hearings were held earlier this year during which Commerce and other Executive Branch witnesses expressed strong opposition to certain of the proposed provisions. Some of the more objectionable sections have been deleted or amended in the latest version of the bill, but it still calls for public disclosure of the names of U. S. firms that have received Arab boycott requests and whether the company intends to comply. Commercial information regarding the value, kind and quantity of goods involved in any reported transaction may be kept confidential.

(d) New York State adopted a law in August which becomes effective in January prohibiting boycotts or blacklisting which cause discrimination because of race, creed, color, sex or national origin. However, there is serious reason to be concerned that the law will be interpreted to outlaw all commercial boycotts and blacklisting of an economic as well as a religious nature. This broad interpretation could force New York banks to stop handling letters of credit and virtually all other business with Arab states since the business documents contain Arab boycott language.

VI. American Jewish Congress Lawsuit

The American Jewish Congress on December 17 filed suit in the U. S. District Court for the District of Columbia seeking to block further implementation of the 1974 U. S. -Saudi Arabian Joint Commission Agreement on grounds of discrimination against American citizens by reason of their Jewish religion, ancestry or identity. The suit names Secretaries Kissinger, Simon, Kleppe and Richardson, as Secretary-designate, among the defendants.





ACTION COPY

Department of State

TELEGRAM

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FOR THE SECRETARY FROM ATHERTON

E.O. 116521 GDS

TAGS: OVIP (ATHERTON, ALFRED L., JR.) PFOR, SA, US

SUBJECT: ASSISTANT SECRETARY ATHERTON'S MEETINGS WITH KING KHALID AND CROWN PRINCE FAHD DECEMBER 20

REF: JIDDA 7997

1. SUMMARY: DURING A ROUTINE HALF-HOUR AUDIENCE WITH KING KHALID ON DECEMBER 20, AND A THREE-AND-ONE-HALF HOUR MEETING WITH CROWN PRINCE FAHD (DURING WHICH HE UNSORDERED HIMSELF OF A RANGE OF CONCERNS IN HOUR-LONG MONOLOGUE AT BEGINNING OF MEETING), I CONVEYED TO THEM BEST WISHES OF PRESIDENT FORD AND YOURSELF. I SAID YOU HAD ASKED ME TO TRAVEL TO THE MIDDLE EAST TO EXPLAIN CURRENT U.S. THINKING RE MIDDLE EAST PEACE-MAKING PROCESS BUT THAT BECAUSE OF THE IMPORTANCE OF OUR BILATERAL RELATIONS WITH SAUDI ARABIA, MY STOP IN JIDDA WAS THE MOST IMPORTANT OF ALL. WITH PRINCE FAHD, I REVIEWED IN CONSIDERABLE DETAIL HOW WE SEE FUTURE MIDEAST PEACE MOVES, JANUARY SECURITY COUNCIL MEETING, PALESTINIAN QUESTION AND NEED OF US AND SAG TO HANDLE CURRENT PROBLEMS (VISAS, BOYCOTT, ETC.) WITH MODERATION AND REFLECTION. FAHD SPOKE OF SAG'S EXCEPTIONAL RECORD OF STANDING BY ITS FRIENDSHIP WITH UNITED STATES. HE URGED WE REMAIN ALERT TO THE DANGERS THAT ANY COMMUNIST-DOMINATED REGIME

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IN ARAB WORLD WOULD POSE. ISRAEL, LIKE SOVIETS, HE NOTED DID NOT WISH U.S.-ARAB RELATIONS TO IMPROVE. (KING KHALID, PRINCE FAHD AND PRINCE SULTAN ALL CONCERNED OVER DEFENSE MINISTER PERES' REPORTED REMARK GOI MIGHT COME TO REGARD SAUDI ARABIA AS CONFRONTATION STATE.) FAHD URGED U.S. TO INCLUDE PLO IN ANY FUTURE MIDDLE EAST PEACE EFFORTS. NOTING KING KHALID WOULD VISIT SYRIA AND JORDAN THIS WEEK, FAHD SAID SAUDI ARABIA WAS WORKING TO HEAL EGYPTIAN-SYRIAN SPLIT, WOULD COUNSEL SYRIAN RESTRAINT IN JANUARY SECURITY COUNCIL MEETING, AND IN JORDAN WOULD WARN AGAINST BECOMING TOO LINKED TO SYRIA AT RISK TO JORDAN'S TRADITIONAL POSITION. SAUDIS WILL ALSO LET JORDAN KNOW OF SAUDI UNHAPPINESS OVER RECENT GOJ CRITICISM OF SINAI II.

2. FAHD ALSO SPOKE AT LENGTH ABOUT BILATERAL PROBLEMS ARISING FROM ANTI-BOYCOTT, AND ANTI-DISCRIMINATION MEASURES IN U.S. PUBLIC MANNER OF THEIR ANNOUNCEMENT MADE IT DIFFICULT FOR SAUDI ARABIA TO MODERATE ITS POLICIES. BUT FAHD SAID HE IS AWARE THE EXECUTIVE BRANCH IS IN A WEAKENED POSITION TO COPE WITH ANTI-ARAB ELEMENTS IN THE CONGRESS AND ELSEWHERE. HE PLEADED THAT THE U.S. REFRAIN FROM TAKING FURTHER ACTIONS THAT WOULD PUBLICLY EMBARRASS SAUDI ARABIA, SAYING HE IS PREPARED WORK WITH SAG AND OTHER ARAB GOVERNMENTS TO MODIFY BOYCOTT AND VISA PRACTICES BUT CAN ONLY DO THIS IF THERE IS PERIOD OF CALM OUT OF THE PUBLIC GLARE. HE AGREED THAT IF SAG WERE TO REACT INTEMPERATELY TO RECENT MOVES IN U.S., IT WOULD ONLY BE HELPFUL ANTI-ARAB ELEMENTS TO ACHIEVE THEIR GOAL. THE TONE OF FAHD'S DISCUSSION WAS MORE ONE OF APPEAL THAN RECRIMINATION. HAD THE NEWS FROM WASHINGTON BEEN LESS UNIFORMLY BAD (OTHER THAN OUR DECISIONS ON MILITARY SUPPLY, WHICH WERE HELPFUL), HE MIGHT HAVE COME ON STRONGER. BUT AS IT WAS HE MAY HAVE FELT THERE WAS LITTLE POINT IN SHOUTING INTO THE WIND. U.S. ANTI-DISCRIMINATION MEASURES MAY EMBARRASS FAHD'S POLITICAL POSITION. FAHD SAID SAG WOULD WELCOME AMBASSADOR PORTER AS FRIEND. END SUMMARY.



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3. MEETINGS WITH KING KHALID AND CROWN PRINCE FAHD: SATURDAY AFTERNOON, DECEMBER 29, I MET WITH KING KHALID AND CROWN PRINCE FAHD. I CONVEYED TO EACH OF THEM THE PERSONAL BEST WISHES OF PRESIDENT FORD AND YOURSELF. I TOLD THEM THAT AFTER YOUR PARIS TALKS YOU ASKED THAT I PROCEED TO SAUDI ARABIA TO REVIEW WITH SAUDI LEADERS LATEST U.S. THINKING RE MIDDLE EAST AND TO REASSURE THEM ABOUT POSITION ON VARIOUS MATTERS OF GREATER BILATERAL CONCERN. I NOTED THAT I WAS VISITING OTHER COUNTRIES IN THE AREA AS WELL, BUT THAT YOU REGARDED MY VISIT TO SAUDI ARABIA AS THE MOST IMPORTANT. I STRESSED TO BOTH OF THEM THAT WE WERE DETERMINED TO CONTINUE TO WORK FOR PROGRESS TOWARD A MIDDLE EAST PEACE SETTLEMENT. KING KHALID SEEMED TO AGREE WITH ALL I SAID. I TOLD HIM I APPRECIATED HIS RECEIVING ME, AND WOULD PASS ON TO YOU AND TO PRESIDENT FORD WHATEVER ADVICE I SHOULD RECEIVE FROM HIS MINISTERS. ON THE BASIS OF TALKING POINTS YOU APPROVED, I REVIEWED WITH PRINCE FAHD IN CONSIDERABLE DETAIL OUR VIEWS TOWARD THE PALESTINIAN QUESTION AND THE JANUARY MEETING OF THE SECURITY COUNCIL, AND THE PARAMOUNT NEED FOR THE UNITED STATES AND ITS ARAB FRIENDS TO WORK TOGETHER IN A SPIRIT OF MUTUAL UNDERSTANDING -- NOTWITHSTANDING THE STRAINS AND PRESSURES UNDER WHICH U.S. RELATIONS WITH THE ARAB WORLD AND SAUDI ARABIA FROM TIME TO TIME WERE SUBJECTED. FAHD HIMSELF SPOKE COPENOUSLY ON THESE TOPICS IN THE COURSE OF A 3-1/2 HOUR MEETING. SUMMARY OF WHAT HE SAID FOLLOWS.

4. SAUDI'S TRADITIONAL FRIENDLY TIES WITH USG: FAHD ASKED ME TO FIRST CONVEY HIS GRATITUDE TO YOU FOR SENDING ME TO SAUDI ARABIA. THIS WAS A PROPITICUS TIME FOR A HIGH-LEVEL, FACE-TO-FACE REVIEW OF U.S.-SAUDI RELATIONS. FAHD WANTED ME TO KNOW ALSO HE WOULD BE TALKING TO ME NOT AS A U.S. GOVERNMENT OFFICIAL, BUT AS A FRIEND WITHOUT AFFECTATION OR EXAGGERATION. FAHD SAID U.S.-SAUDI FRIENDSHIP WAS OF LONG STANDING, AND HE WANTED IT TO REMAIN FIRM AND UNSHAKEABLE. THE U.S. KNEW OVER THE YEARS HOW

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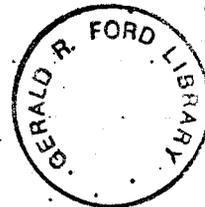
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MUCH SAUDI ARABIA HAD SUFFERED FOR THE SAKE OF THIS FRIENDSHIP, ESPECIALLY IN THE DAYS OF THE SAG'S INTENSE AND AT TIMES VIOLENT CONFRONTATION WITH GAMAL ABDOUL NASSER BETWEEN THE YEARS 1957-1967. IN THOSE DAYS IN ALL THE ARAB WORLD ONLY SAUDI ARABIA WAS WILLING TO STAND FIRMLY AND PUBLICLY BY ITS TIES OF FRIENDSHIP TO THE UNITED STATES. FARD CON- TRASTED THIS BEHAVIOR WITH THAT OF OTHER STATES WHO SECRETLY PROTESTED THEY WERE OUR FRIENDS, BUT WHOSE PUBLIC RECORD DID NOT BEAR THEM OUT. HE REMINDED ME THAT SAUDI ARABIA DID NOT RECOGNIZE ANY COMMUNIST STATE, AND THAT HE DID NOT SEE ANY CHANGE IN THIS POLICY AS LIKELY. THE USG KNEW, MOREOVER, WE COULD ALWAYS COUNT ON SAUDI HELP IN EFFORTS TO BRING ABOUT A SITUATION IN THE MIDDLE EAST THAT WOULD GIVE THE COMMUNISTS AND THE RADICALS LESS PURCHASE.

5. ZIONIST AND COMMUNIST HOSTILITY TO U.S.-ARAB FRIENDSHIP: FARD BELIEVED THAT ZIONISTS AND COMMUNISTS SAW U.S.-SAUDI FRIENDSHIP AS DANGEROUS TO THEIR AIMS, AND -- ACTING INDEPENDENTLY AND FOR DIFFERENT REASONS -- WERE DOING THEIR BEST TO WEAKEN IT. FOR OBVIOUS REASONS, RUSSIA WAS EAGER TO RETURN TO EGYPT AND OTHER MIDDLE EAST COUNTRIES VIA SUBVERSION, PROVISION OF MILITARY ASSISTANCE PROGRAMS OR ANY OTHER WAY. AT ALL COSTS, FARD SAID, WE MUST TRY TO PREVENT THE RE- APPEARANCE OF COMMUNIST-LED OR DOMINATED REGIMES IN THE ARAB WORLD. FOR THE RADICALS TO MAKE A COMEBACK WOULD BE A TRAGEDY FOR THE MODERATES IN THE AREA, FOR THE USG, AND -- REGARDLESS OF WHAT ISRAELI OFFICIALS MIGHT THINK -- A TRAGEDY FOR ISRAEL, TOO. ISRAEL WAS OPPOSED TO BETTER U.S.-ARAB RELATIONS BECAUSE IT KNEW THIS COULD BRING CLOSER THE DAY WHEN IT WOULD HAVE TO RELINQUISH THE OCCUPIED TERRITORIES AND SEEK SOME POLITICAL WAYS OF RESOLVING ITS PROBLEMS WITH THE CONFRONTATION STATES -- NONE OF WHICH, FARD STRESSED, ANY LONGER QUESTIONED REALITY OF ISRAEL'S EXISTENCE.

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6. IN THIS REGARD, FAHD WAS CONCERNED AT GOI STATEMENTS THAT ISRAEL COULD NOT BE INDIFFERENT TO THE MASSIVE PRESENCE IN SAUDI ARABIA OF U.S. MILITARY MATERIEL, AND THAT AS A RESULT SAUDI ARABIA MAY HAVE ACQUIRED THE CHARACTERISTICS OF A CONFRONTATION STATE. FROM TIME TO TIME, MOREOVER, THE SAG HAS INFORMED THE USG BY THE EMBASSY IN JIDDA OF ISRAELI VIOLATION OF SAUDI AIRSPACE NEAR THE STRAIT OF TEHRAN. (KING KHALID AND PRINCE SULTAN ALSO EXPRESSED CONCERN TO ME ABOUT INCREASED ISRAELI MILITANCY TOWARDS SAUDI ARABIA. I URGED ALL OF THEM NOT TO ATTACH TOO OFFICIAL A CHARACTER TO STATEMENTS MADE BY INDIVIDUAL ISRAELI POLITICIANS.)

7. A ROLE FOR PLO IN PEACE TALKS: FAHD THOUGHT IT WAS HIGH TIME FOR ISRAEL AS WELL AS THE UNITED STATES TO TACKLE PROBLEMS OF PEACEMAKING AND ESPECIALLY OF THE PALESTINIANS IN A CREATIVE WAY. IN PARTICULAR, FAHD THOUGHT THE USG OUGHT TO GIVE SOME ENCOURAGEMENT TO THE MODERATE WING OF THE PLO WHICH HE THOUGHT WOULD QUICKLY RESPOND TO ANY AMERICAN OVERTURES. IF WE WERE TO DO SO, THE STOCK OF THE PLO'S PRO-COMMUNIST ELEMENTS WOULD COLLAPSE. FAHD URGED WE FIND SOME WAY OF OVERLOOKING THOSE ASPECTS OF THE PALESTINIAN POSITION THAT SEEM UNRECONCILABLE WITH SECURITY COUNCIL RESOLUTIONS 242 AND 338. IF WE COULD DO SO, HE THOUGHT WE WOULD SEE IN RETROSPECT HOW OUR INITIATIVE HAD PAID OFF. I STRESSED NEED FOR MOVE BY PLO

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TOWARD POSITION ON ISRAEL ADOPTED BY CONFRONTATION STATES.

8. CURRENT STRAINS ON U.S.-SAUDI FRIENDSHIP:
RETURNING TO U.S.-SAUDI RELATIONS, FAHD SAID HE KNEW THEY WERE BEING SUBJECTED TO HOSTILE PRESSURE AND WONDERED WHAT COULD THE USG DO? HE KNEW THE US GOVERNMENT AND ESPECIALLY THE EXECUTIVE BRANCH WAS IN A WEAKENED POSITION TO COPE WITH ANTI-ARAB ELEMENTS IN THE CONGRESS AND ELSEWHERE. THERE WERE EVEN, HE NOTED, SOME ANTI-ARAB ELEMENTS AMONG USG OFFICIALS. HE SAID, HOWEVER, THE CAMPAIGNS IN THE U.S. AGAINST SAUDI ARABIA WERE A GREAT EMBARRASSMENT TO SAUDI ARABIA: AFTER EACH PUBLIC AFFRONT BY THE USG, PRO-SOVIET ARABS WOULD COME TO THE SAG AS IF PLEASED, AND ASK HOW MUCH MORE HUMILIATION THE SAUDIS WERE PREPARED TO ENDURE FROM THEIR AMERICAN FRIENDS. FAHD AFFIRMED HE HAD OPPOSED SUCH RADICALS ALL HIS LIFE, AND AS A SAUDI OFFICIAL WOULD DO HIS BEST TO CONTINUE TO STAND WITH US, BUT HOW LONG COULD HE CONTINUE UNFLINCHINGLY TO DO SO?

9 FAHD NOTED THAT AS A RESULT OF HIS AGREEMENT WITH YOU OF JUNE 1974, U.S. ECONOMIC RELATIONS WITH SAUDI ARABIA ARE FLOURISHING, BUT IF U.S. BANKS AND PRIVATE CORPORATIONS ARE TO PUT OBSTACLES IN THE FACE OF THIS AGREEMENT, AND IF CONGRESS IS TO ATTACK U.S.-SAUDI COOPERATION, WHAT IS THE SAG TO DO? THE FRB'S INJUNCTION TO MEMBER BANKS, HE CONSIDERED ILL-JUDGED, HARMFUL ABOVE ALL TO THE AMERICAN ECONOMY, AND AN INVITATION TO OUR EUROPEAN COMPETITORS TO DISPLACE US IN SAUDI ARABIA'S HIGH COMMERCIAL AND CAPITAL MARKET. FAHD CITED THE ARAB BOYCOTT AS ANOTHER AREA WHERE PUBLIC OUTCRY IN THE UNITED STATES WAS MAKING IT HARD FOR THE SAG TO MODIFY ITS POSITION -- EVEN THOUGH HE PERSONALLY BELIEVES THE BOYCOTT IS INEFFECTIVE AND DEPRIVES THE SAG OF SERVICES OF MANY FIRMS WHICH COULD BE USEFUL TO SAUDI ARABIA'S DEVELOPMENT.

10. ON THE SAG'S VISA POLICY, FAHD SAID IF THIS MATTER HAD BEEN RAISED IN A PRIVATE SETTING A NATURAL

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SOLUTION IN THE COURSE OF THINGS COULD HAVE BEEN FOUND, BUT INSTEAD THE ISSUE HAD BEEN RAISED PUBLICLY AND THE RADICALS ARE NOW STANDING BY TO ATTACK SAUDI ARABIA IF IT SHOWS ANY SIGNS OF BACKING DOWN. KEPO ASKED WHY SAUDI ARABIA COULD NOT INQUIRE ABOUT THE PERSONAL STATUS OF VISA APPLICANTS. CAN ANY STATE ACCEPT SUCH A LIMITATION ON ITS SOVEREIGN CONCERN FOR ITS SECURITY? THE UNITED STATES WOULD NOT INDISCRIMINATELY ALLOW COMMUNISTS OR PALESTINIANS TO PASS ITS FRONTIERS, AND FOR THE SAME SECURITY REASONS SAUDI ARABIA WAS PRESENTLY DENYING ENTRANCE TO MANY THOUSANDS OF ARAB MUSLEMS. IF THE SAG IS PREPARED TO DISTINGUISH AMONG FELLOW ARABS, "IT HAS THE RIGHT TO DO SO AGAINST ANYONE ELSE, I GUESS." FAHD PLEADED THAT THE UNITED STATES REFRAIN FROM TAKING DELIBERATE ACTIONS THAT WOULD EMBARRASS SAUDI ARABIA. HE ASKED THAT I CONVEY TO YOU AND TO PRESIDENT FORD THE SAG'S EARNEST DESIRE THAT ANY POINTS AT ISSUE BETWEEN THE USG AND SAUDI ARABIA BE HANDLED QUIETLY AND PRIVATELY. FAHD HOPED THAT REASON WOULD PREVAIL AND THE USG WOULD NOT SUBJECT SAUDI ARABIA TO ANY MORE EMBARRASSMENT BEFORE OTHER ARABS AND ITS OWN PEOPLE. HE AGREED, HOWEVER, WITH THE POINT THAT I HAD MADE THAT IF THE SAG WERE TO REACT IN AN IMPETUOUS WAY TO U.S. MEASURES ON VISAS AND BOYCOTTS, IT WOULD PLAY INTO THE HANDS OF ELEMENTS OPPOSED TO GOOD U.S.-SAUDI RELATIONSHIPS. IT WOULD ONLY BE HELPING SAG'S CRITICS ACHIEVE THEIR GOAL. HE SEEMED DISPOSED TO CONSIDER WAYS IN WHICH SAUDI VISA PRACTICES COULD BE MODIFIED IF PUBLIC PRESSURES ON SAG ABATED.

11. COMMENT: FAHD MAY BE WORRIED ABOUT THE VEHEMENCE AND MOMENTUM OF ANTI-DISCRIMINATORY AND ANTI-BOYCOTT MOVES THAT ARE BEING MADE IN THE U.S. AND WHICH ARE REGARDED HERE AS BEING AIMED AT SAUDI ARABIA. JUST AS SUCH MEASURES CAN EMBARRASS SAUDI ARABIA BEFORE ITS RADICAL CRITICS, SO CAN THEY EMBARRASS PRINCE FAHD BEFORE ANY OF HIS CRITICS IN THE COUNCIL OF MINISTERS. THE TONE OF FAHD'S DISCUSSION WAS MORE ONE OF APPEAL THAN OF REPRIMAND. IT CERTAINLY WAS MORE MODERATE THAN THAT WHICH WAS REPORTED IN JIDDA REFTEL. HAD THE NEWS FROM WASHINGTON BEEN LESS DISTURBING TO FAHD, HE MIGHT HAVE COME ON STRONGER, BUT, AS IT WAS, HE MAY HAVE FELT THERE WAS

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LITTLE POINT IN SHOUTING INTO THE WIND, IN TERMS OF U.S.-SAUDI RELATIONS, THE EMBASSY THINKS THE TIMING OF MY VISIT--AS IT SO HAPPENED--WAS OPPORTUNE AS I WAS ABLE ON THE SPOT TO PROVIDE THE SAUDIS WITH REASSURING ATTENTION AT A TIME WHEN THEY MUST HAVE NEEDED IT.

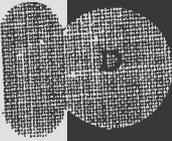
12. AMBASSADOR PORTER: AT CONCLUSION OF MY DISCUSSION, PRINCE FAHD THANKED ME FOR THE NEWS I HAD BROUGHT HIM OF AMBASSADOR PORTER'S ARRIVAL IN JANUARY. HE WAS PLEASED BY MY ASSURANCES THAT THE GREAT IMPORTANCE THE UNITED STATES ATTACHED TO ITS RELATIONS WITH THE KINGDOM OF SAUDI ARABIA WOULD IN NO WAY BE DIMINISHED. IN FACT THE US-SAUDI BOND COULD ONLY INCREASE IN IMPORTANCE WITH THE ASSIGNMENT TO JIDDA OF OUR MOST SENIOR SERVING AMBASSADOR. PRINCE FAHD SAID HE WAS LOOKING FORWARD TO MEETING AMBASSADOR PORTER AND WOULD RECEIVE HIM IN THE SAME FRANK, FRIENDLY AND OPEN MANNER THAT HE DID OTHER U.S. OFFICIALS AND AMBASSADORS.

13. OTHER SUBJECTS COVERED IN FAHD MEETING BEING REPORTED SEPTELS.
HORAN

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January 6, 1976

TALKING POINTS ON ARAB BOYCOTT/DISCRIMINATION
FOR JANUARY 7 CABINET MEETING

1. I want to have a review of where we stand on the broad issue of the Arab boycott and discrimination, following the November 20 announcement of the decisions I made on foreign boycotts and discrimination. This is a very complicated problem which includes different and sometimes conflicting domestic and foreign policy concerns, economic interests and laws and traditions opposing discrimination.
2. The decisions which I made were intended to strike a balance which would adequately meet all of these concerns in a proper way. They focussed primarily upon the question of discrimination against Americans on the basis of race, color, religion, sex or national origin, and on possible antitrust violations.
3. I understand that we are beginning to get a reaction to my decisions and that certain other actions have been taken or are pending, some of which apparently go beyond what had been intended. I understand some of the legislation being considered by Congress would have seriously damaging effects on our foreign policy and economic interests.
4. I would appreciate hearing where we stand at present and what we are likely to face in the months ahead. Ed Schmults will start us off with a summary of actions taken and pending and then Henry (Kissinger) can review the foreign policy context of this issue. After that I would particularly like to hear from Ed (Levi), Rog (Morton), and Steve (Gardiner) whose Departments are directly concerned with this problem.
5. (After others have expressed their views) This is a very serious, important issue and will have to be followed very closely in the months ahead if we are to maintain that delicate balance needed to protect the varied interests of the United States. I am sure that all of you will be working closely together toward this end and that you will stand firm in the face of any pressure to go beyond the limits of our strategy.