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THE PRESIDENT HAS SEEN *af*

## THE WHITE HOUSE

WASHINGTON

MAR 3 1975

MEMORANDUM FOR

THE PRESIDENT

FROM: L. WILLIAM SEIDMAN *LWS*

SUBJECT: Administration Policy Re  
Foreign Investment in the U.S.

As a result of increasing Congressional concern over potential Arab investment in the U.S., a number of bills have been introduced to restrict foreign investment here. In addition, the Administration has recently completed a review of the problem and the results of this review will be announced tomorrow by Treasury Under Secretary Bennett at Senate hearings to consider Senator William's bill which would give the President the power to veto any proposed foreign investment.

The policy to be announced is based on a decision reached at a February 24 Cabinet level meeting which reviewed options prepared by an interagency task force. (See Tabs 1 and 2 for copies of the options paper and task force summary).

The basic thrust of the policy is a reaffirmation of our traditional policy which opposes any new restrictions on foreign investment in the U. S. except where absolutely essential on national security grounds or to protect an essential national interest. The continuation of this policy is predicated on the conclusion that existing laws provide substantial safeguards to deal with foreign investment and that we already obtain a substantial amount of data on foreign investment in the U.S.

In addition, the testimony will announce the following new actions which would supplement our present arrangements:

- establishment of a new high-level interagency committee to report to the Economic Policy Board and to serve as the focal point within the Executive Branch for insuring that foreign investments in the United States are consistent with our national interest;

- creation of a new office to serve that committee and all other parts of our Government by monitoring foreign investment and producing analyses both of developing trends in various categories of investment and of the prospective impact of significant individual investment proposals;
- use of the new office to centralize and improve the gathering and dissemination of information on foreign investment; and
- the negotiation of procedures with the principal foreign governmental investors for advance consultation with the U.S. Government on prospective major direct investments in the United States.

The key aspect of the policy to be announced tomorrow is that it does not propose new legislation or formal screening procedures to deal with the potential problems of large foreign government investment. Rather, it relies entirely on prior consultation with the U.S. Government on major direct investments in this country contemplated by foreign governments. Reliance on this method is based on the judgment that (1) the potential for substantial foreign government investment is limited to a very few countries (e.g. Saudi Arabia, Kuwait, Iran and the UAE) and (2) these countries have evidenced an interest in consulting with us on major investments.

A copy of Mr. Bennett's testimony is attached at Tab 3. The testimony has been cleared through the normal OMB process and has been agreed to by State, Commerce, OMB, SEC, NSC and CIEP.

Attachments