

REPORT ON THE ARAB LEAGUE BOYCOTT OF ISRAEL

MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

THE REPORT ON STEPS TAKEN BY THE UNITED STATES GOVERNMENT TO BRING ABOUT AN END TO THE ARAB LEAGUE BOYCOTT OF ISRAEL AND TO EXPAND THE PROCESS OF NORMALIZING TIES BETWEEN ISRAEL AND THE ARAB LEAGUE COUNTRIES, PURSUANT TO PUB. L. 105-118, SEC. 540



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To the Congress of the United States:

In accordance with the request contained in section 540 of Public Law 105–118, Foreign Operations, Export Financing, and Related Programs Appropriations Act, 1998, I submit to you the attached report providing information on steps taken by the United States Government to bring about an end to the Arab League boycott of Israel and to expand the process of normalizing ties between Israel and the Arab League countries.

WILLIAM J. CLINTON.

THE WHITE HOUSE, *July 30, 1998.*

REPORT TO THE CONGRESS ON THE ARAB LEAGUE BOYCOTT OF ISRAEL

This report examines steps taken by the U.S. Government to bring about a public renunciation of the Arab League primary boycott of Israel and the secondary and tertiary boycotts of American firms that have commercial relations with Israel and to expand the process of normalizing ties between Arab League countries and Israel. It is submitted in response to the request contained in Section 540 of Public Law 105-118, the Foreign Operations, Export Financing, and Related Programs Appropriations Act for Fiscal Year 1998.

The U.S. Government position against the Arab League boycott is firm and unyielding. We continue to encourage vigorously the Arab League countries to renounce publicly the primary boycott of Israel and the secondary and tertiary boycotts of American firms that have commercial relations with Israel. These efforts are one aspect of a broader U.S. Government campaign to further normalization of political and economic ties between Arab countries and Israel.

Jordan, Egypt and the Palestinian Authority no longer adhere to any aspect of the boycott. Egypt and Jordan have entered into treaties or agreements normalizing all or most

aspects of their relations with Israel, while the Palestinians continue to negotiate with Israel. In addition, the United States has made substantial progress over the last several years in persuading other Arab states to drop the secondary and tertiary aspects of the boycott and, in some cases, to take steps toward normal trade relations with Israel. Enforcement of the boycott varies widely by country, with a few, such as Syria, still creating a boycott list of companies that do business with Israel, and many others, such as the Gulf Cooperation Council (GCC) states, dismantling regulatory procedures for the secondary and tertiary boycotts. In practice, the Arab League countries do not have a single approach to continued application of the boycott. One effect of this variability across the Arab League is that the biannual meeting of the Regional Boycott Office Directors has not occurred since 1994 due to lack of a quorum.

In 1994, the states of the GCC -- Saudi Arabia, UAE, Oman, Bahrain, Qatar, Kuwait -- began implementing their decision to cease adherence to the secondary and tertiary aspects of the boycott. In 1995, Yemen similarly announced that it too would cease enforcing the secondary and tertiary boycotts. From 1994 to 1996, the number of boycott-related requests that U.S. companies received fell by more than 50 percent, with an

additional decrease of almost 40 percent in prohibited requests from the GCC countries in the last year.

In 1994, Morocco and Israel established liaison offices, and, in 1996 Tunisia and Israel established interest sections. In 1996, Oman established trade relations with Israel and exchanged trade representatives. Israel has also had a trade office in Qatar since May 1996, although the Qatari trade office in Israel has yet to open. Israel has attended all four Middle East/North Africa Economic Summits and Conferences and is now a member of several regional fora and working groups, among them: the Middle East-Mediterranean Tourism Association (MEMTA), and the Working Groups on Water, the Environment, and Refugees.

The continuing stalemate in the Middle East peace process in 1997 led to a concomitant and visible slowdown in progress toward an end to the boycott and toward normalization. No additional Arab League countries have opened trade relations with Israel, and the Omani trade representative and Tunisian chief diplomatic representative in Israel were not replaced by their respective governments. Moreover, the Arab League Ministers in March 1997 issued a non-binding recommendation that member countries continue adherence to the primary boycott of Israel. Although not a "reinstatement" of the boycott, as erroneously reported in some circles, the March Arab League recommendation reflected the reluctance of member states to take

further steps toward economic and political normalization with Israel until Israel's bilateral negotiations with the Palestinians began to show progress.

The U.S. Government has made clear its opposition to that recommendation and is working actively with regional partners to maintain progress made on eliminating the boycott and furthering normalization with Israel, to find new avenues for progress and to prepare the region for additional activity in this regard when general political conditions become more conducive to regional cooperation and multilateral activity.

**Actions Taken with Respect to Eliminating the Arab League
Boycott of Israel**

Bilateral Diplomacy

The U.S. Government regularly approaches member governments of the Arab League before the twice yearly Arab League meetings to encourage continued progress toward eliminating all aspects of the boycott. As noted above, in March 1997 the Arab League Ministerial issued a non-binding recommendation calling for the "continuation of adherence to the primary Arab boycott ... until just and comprehensive peace in the region is achieved." Each Arab state is free to make its own decision whether to follow these guidelines.

The Administration opposed the March 1997 recommendation and so informed Arab League members. While slowing forward progress toward elimination of the boycott, the Arab League action did not result in a return to past practices. To date we have received no indication of an increase in boycott-related activities in the Arab League countries following the March Arab League meeting. The non-binding recommendation made no reference to the secondary and tertiary aspects of the boycott, and GCC states have continued to implement their 1994 decision to cease adherence to the secondary and tertiary boycotts. In no case has the United States received any indication that the secondary and tertiary aspects of the boycott will be reinstated by a country that previously ceased adherence to this dimension of the boycott.

U.S. Ambassadors and other high-level officials frequently discussed the status of country enforcement of the boycott and proposed further elimination of the boycott during the course of meetings with senior government officials.

The following specific examples constitute a representative list of actions taken throughout the region:

- Embassy Kuwait officers raised lifting the primary boycott on a low-key basis with Kuwaiti officials and received responses linking progress in the Middle East peace process to consideration of lifting Kuwait's primary boycott of Israel.

- The U.S. Ambassador to Lebanon met with high-level Lebanese officials to protest Lebanon's boycott policies and to obtain the release and entry into Lebanon of American products seized by the Lebanese customs authorities.
- In Syria, where relatively rigorous enforcement of the boycott is the norm, U.S. Embassy officials are currently protesting possible boycott action against two U.S. firms.
- U.S. Embassy officials in the UAE presented UAE officials with bar graphs illustrating the number of boycott-related requests for each GCC country to argue for further proactive action on the part of the local government. In addition, Embassy officials inserted boycott-related talking points in briefing materials provided to high level U.S. Government visitors such as U.S. Commerce Secretary Daley.
- U.S. officials in Jerusalem received assurances from the Palestinian Authority that the limited stoppage of imports of certain Israeli commodities in August 1997 did not represent a return to the boycott. The stoppages were indeed lifted as soon as Palestinian exports were again allowed to enter Israel.
- The U.S. Embassy in Yemen presented the Government of Yemen a diplomatic note reiterating the U.S. Government's concern over lingering boycott violations among parastatal enterprises and

enumerated in detail the offending organizations. The United States encouraged Yemeni officials to enforce more vigorously its 1994 decision to renounce the secondary and tertiary boycott of Israel.

In general, governments that continued to apply the primary boycott consistently linked progress in the Middle East peace process to consideration of lifting the primary boycott of Israel.

U.S. Government Challenges to Boycott Language in Contracts

U.S. Ambassadors and other high-level officials have pursued all reports that suggest that U.S. firms have been asked to certify that they do not trade with Israel.

The following specific examples constitute a representative list of actions taken throughout the region:

- The U.S. Ambassador to the UAE raised boycott concerns and sought input during regularly scheduled meetings with trade, finance, oil and gas, and defense sector members of the American Business Group of Abu Dhabi.
- U.S. officials in the UAE and Yemen have also successfully approached representatives of local companies to request the removal of boycott provisions in company contract documents -- Yemenia Airlines, for one, has provided examples to the

Embassy of new purchase order forms with the offending language removed.

- U.S. Embassy officials in Bahrain have met with Ministry of Foreign Affairs officials to request clarification of a few incidents where tenders for Bahraini projects included boycott-related language. On all occasions, Bahraini officials reconfirmed their policy of non-adherence to the secondary and tertiary aspects of the boycott and ensured that the compliance certificates were removed from the tender documents.
- Embassy Kuwait investigated a case in which a U.S. law firm forwarded copies of a Kuwaiti tender document with boycott-related language. When approached, Kuwaiti officials clarified that the document -- printed in 1994 -- was outdated and that the compliance certificate is no longer required.
- U.S. Embassy officials in Saudi Arabia urged two U.S. companies to seek the advice of legal counsel regarding language presented in commercial documentation. In another case, U.S. officials brought to the Saudi government's attention a government form making reference to the boycott, eliciting the response that the "problem" had been eliminated.

Particularly in the Gulf States, U.S. officials report that in recent years reports of boycott-related language in official and private sector documents have usually turned out to be cases

in which low-level officials or company representatives have used old tender and contract documents. When challenged, local officials removed the offending language and clarified that boycott certification is no longer required.

Anti-Boycott Activities of the Anti-Boycott Compliance Office of the Department of Commerce

Another important approach to terminating the Arab League Boycott of Israel is the Administration's enforcement of the anti-boycott provisions of the Export Administration Regulations (EAR). The anti-boycott regulations are enforced by the U.S. Department of Commerce, Bureau of Export Administration, Office of Anti-boycott Compliance ("CAC").

The EAR prohibits, among other things:

1. Refusal, or agreements to refuse, to do business with a boycotted country or any person pursuant to an agreement with, a requirement of, or a request from or on behalf of, a boycotting country;
2. Boycott-based discrimination against individuals or corporations based on religion, sex, or national origin;
3. Furnishing, or agreeing to furnish, information about religion, sex or national origin;

4. Furnishing, or agreeing to furnish, information about business relationships with blacklisted companies and individuals or boycotted countries.
5. Furnishing, or agreeing to furnish, information about a person's membership in or association with or involvement with charitable or fraternal organizations that support a boycotted country;
6. Implementing a letter of credit that contains a condition or requirement compliance that is prohibited by the anti-boycott Regulations.

During fiscal years 1995 through 1997, the Office of Anti-boycott Compliance imposed over \$2.8 million in civil penalties on 58 companies. Additionally, OSC operates a telephone advice line and makes outreach presentations to assist U.S. companies in complying with the anti-boycott regulations.

By vigorously enforcing the anti-boycott regulations, and educating the public concerning its obligations under U.S. law, participation in, and compliance with, the Arab League boycott is greatly reduced, thereby making the boycott a less effective tool of the Arab League boycotting officials and bringing it closer to termination.

**Actions Taken with Respect to Expanding the Process of
Normalization between the Arab League Countries and Israel**

Middle East Peace Process Negotiations

Many Arab states directly link normalization of their relations with Israel and ending the boycott to progress in ongoing Middle East peace process negotiations. The U.S. Government, through the offices of the President, the Secretary of State, the Special Middle East Coordinator and the Bureau of Near Eastern Affairs at the State Department, has continued to press for progress in the ongoing negotiations between Israel and the Palestinian Authority.

Bilateral Diplomacy

The U.S. Government makes further progress on normalization of relations between Israel and the Arab States a centerpiece of its bilateral diplomacy with regional and other states. These efforts take place continuously during periodic contacts between high-level U.S. officials and their counterparts.

U.S. Government efforts are also keyed to specific regional events and agreements that appear to create openings for political advances. For example, in the wake of the Hebron accord in January 1997, the U.S. Government developed and began to implement a diplomatic strategy to promote the accord within

the region and to seek a further improvement of relations between the Arab States and Israel. However, minimal progress was made at this time due to Arab reaction to Israeli construction at Har Homa/Jebel Al Ghanem.

Multilateral Diplomacy -- U.S. Sponsorship of and Participation in Regional Fora/Working Groups

The multilateral peace process grew out of the 1991 Madrid conference as a complementary element to bilateral negotiations. Its goal is to create an infrastructure for peace by bringing the parties together to build institutions and mechanisms for regional cooperation.

Given the stalemate in the peace process, it has been difficult to keep the multilateral process moving forward, as Arab states link participation in multilateral activities to progress in bilateral negotiations. The multilateral steering group has not been able to meet since May 1995, and none of the working groups have been able to hold plenaries since June 1996. However, the multilateral track has maintained some momentum by bringing Israelis and Arabs together at the technical level for work on specific projects.

The U.S.-chaired Water Working Group is the most active among the multilaterals, with continuing meetings and strong support on behalf of both regional and extraregional parties for

four projects -- water data banks, regional supply and demand, waternet, and the Middle East Desalination Research Center. In addition, the United States sponsored a study tour in the United States in December 1997 for the Public Awareness and Conservation Project, in which Moroccan, Tunisian, Omani, Jordanian, Israeli and Palestinian experts participated. The Refugee Working Group, chaired by the Canadians, held three intersessional meetings in 1997, on the topics of health issues, family reunification, and databases. The Working Group on the Environment, chaired by the Japanese, has moved forward with project-level activities for Desertification, Wastewater Treatment, and Regional Environment Center projects. The Arms Control and Regional Security Working Group did not meet in 1997, although bilateral activities (such as ACDA-sponsored arms control training for Oman, Qatar, Israel, Jordan and Egypt) took place. The Regional Economic Development Working Group, chaired by the European Union, saw a new Executive Secretary begin work in January 1998, after a year-long vacancy in the position.

The most vibrant "peace process institution" is the Middle East-Mediterranean Travel and Tourism Association (MEMTTA), which has been the beneficiary of private sector interest and involvement, as well as the real economic potential of the Middle East and North Africa (MENA) region as an integrated tourist destination. Israel, Jordan, Egypt, the Palestinian

Authority, Tunisia, Morocco, Turkey, Cyprus, and Malta are members. Qatar and Oman have expressed interest in joining. The United States financially supports this institution through a grant of ESF funding and assists in coordinating an expansion of its activities. The United States also ensured that MEMTTA was prominently featured at the MENA Economic Conference in Doha, Qatar, in November 1997.

The MENABank, designed to support regional projects, private sector development and an enhanced economic policy dialogue, will be open only to parties that subscribe to the core principles of support for the peace process and commitment to removing barriers to regional commerce, including the boycott of Israel. A U.S.-led transition team is in place in Cairo, laying the technical groundwork for the eventual Bank start-up. As in the previous two fiscal years, the Department of State included a funding request for the Bank in its FY99 budget submission.

MENA Economic Conference -- Political and Business Outreach

The fourth annual Middle East-North Africa (MENA) Economic Conference took place in Doha, Qatar in November 1997. The conference process grew out of the interim agreement initialed between Israel and the Palestinians in 1993 and is part of U.S.

Government efforts to promote the economic and political integration of Israel into the region.

In the months leading up to the conference, the Department of State, the Department of Commerce, and constituent posts made numerous approaches to regional and European governments urging public and private sector participation in the conference. In addition, U.S. Ambassadors and other officials performed extensive outreach to the business communities in MENA countries, and Washington-based officials made numerous calls to American executives to urge participation.

Over 500 official delegates from 65 countries attended, along with almost 1,300 international executives. Jordan sent a large delegation of officials, including its Deputy Prime Minister, Minister of Industry and Trade, and Minister of Planning. At the urging of U.S. officials, Bahrain, Yemen, Tunisia, Oman, and Kuwait also joined Qatar in sending official delegations to participate alongside the substantial Israeli delegation. Given the difficult political climate and a boycott by some Arab states, overall participation was much higher than expected. Egypt, Morocco, Saudi Arabia, the UAE, Syria and Lebanon did not attend, linking participation in the conference to progress in the Middle East peace process.

Activities of the Department of Commerce: MENA-PeaceNet

With financial support from the State Department, the Department of Commerce's Technology Administration has developed the MENA-PeaceNet project, an electronic commerce initiative designed to facilitate business and partnering opportunities between the Middle East-North Africa region and the United States. A MENA-PeaceNet training program was held in March 1998 in San Diego, California. Representatives of Jordan, Egypt, Israel and the Palestinian Authority learned how to install, maintain and operate the MENA-PeaceNet system, as well as to train other PeaceNet organizations and businesses in their home countries.

A basic premise of PeaceNet is to develop a decentralized network of organizations in each country sharing information and leveraging resources because it is in their self-interest to do so. Meetings and interactions between members of the business assistance, environmental, academic, research and development, and standards communities provide avenues of regional cooperation and harmonization in each arena. In short, PeaceNet creates a "neutral ground" for participants to meet, furthering the person-to-person dialogue and trust essential to building a sustainable peace.

