Effects of the Arab League Boycott of Israel on U.S. Businesses

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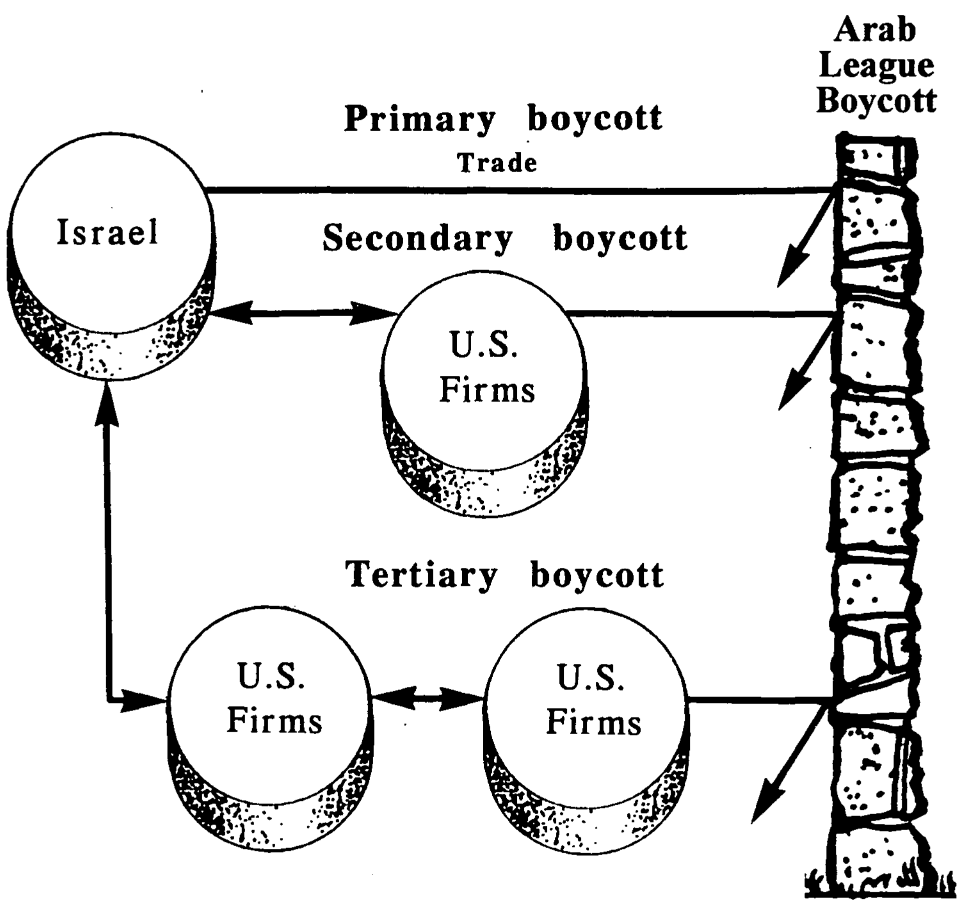

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UNITED STATES INTERNATIONAL TRADE COMMISSION

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PREFACE

In a letter dated November 3, 1993, the United States Trade Representative requested that the U.S. International Trade Commission (USITC) estimate the economic effects of the Arab League boycott of Israel on U.S. businesses. Of particular interest to the Trade Representative, was the effects of the secondary and tertiary levels of implementation of the boycott. The USITC instituted its investigation on December 2, 1993, pursuant to section 332(g) of the Tariff Act of 1930. Data for the investigation were collected from several primary sources, including a questionnaire developed by the USITC and sent to a stratified random sample of U.S. firms regarding the impact of the boycott on their operations.

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EXECUTIVE SUMMARY

The purpose of this investigation is to estimate the costs to U.S. businesses that occur in association with the Arab League boycott of Israel. There are three implementation levels to the boycott: the primary, secondary, and tertiary. The primary level is intended to prohibit direct economic relations between Arab countries and Israel, including the importation of Israeli-origin goods and services. Of more significance to U.S. companies are the secondary and tertiary levels of the boycott that discriminate against foreign firms that maintain designated types of commercial relations with Israel. This investigation focuses on these secondary and tertiary aspects. Generally, the secondary level of the boycott bars trade between the boycotting countries and those firms that contribute significantly to Israel's economic and military development. Such firms are blacklisted. The tertiary level of the boycott bars trade between the boycotting countries and those firms that continue to do business with blacklisted firms.

In terms of diverted resources and longevity, the Arab League boycott of Israel is one of the most significant international sanctions of modern times. Most analyses have focused mainly on the effects of the boycott on Israel and the boycotting nations. To the Commission's knowledge, no one before this study has estimated the economic effects of the boycott on the United States.

The primary source of data for this investigation was a questionnaire the Commission mailed to 603 U.S. firms in a sample drawn from 3 sources of information: (1) U.S. Department of Commerce, Bureau of the Census file of exporters, (2) U.S. Department of Commerce, Office of Antiboycott Compliance (OAC) file of firms requesting information and clarification on antiboycott regulations, and (3) a file of large service sector providers purchased by the Commission from Dun & Bradstreet. Respondents were asked to provide general information about their firm's operations, as well as an assessment of the effects of the boycott on their sales, costs (transportation, legal, and administrative), profits, and investment. The questionnaire covered the period from January 1, 1992 through December 31, 1993. The Commission received a 72.5 percent response rate to the questionnaire.

The random sample of firms selected from the Bureau of Census file of exporters provided coverage for 18.1 percent of all U.S. exports in 1993, and 20.5 percent of exports to the Middle East. The Commission's estimates of the economic effects of the Arab League's boycott are based solely on this scientific sample.

Summary of Findings

Implementation of the Arab League Boycott of Israel

- The boycott's administration is characterized by its secretiveness and unpredictability.

    There is no single, publicly available blacklist. Each boycotting country defines and enforces the boycott according to its own strategic needs. Various interpretations, degrees of enforcement, and ad hoc exceptions have contributed to the confusion that often surrounds the boycott's administration.

- When rigidly enforced, the boycott effectively imposes a ban or a zero quota on imports of the products of a blacklisted firm. Enforcement of the nonprimary levels of the boycott among Arab League members varies widely, however, and it has varied more so since the end of the Gulf War in 1991.

  Egypt has not participated in the boycott since its peace accord with Israel in 1979. In June 1993, Kuwait announced it would no longer participate in the secondary and tertiary levels of the boycott. On July 25, 1994, Israel and Jordan signed a declaration that, among other things, calls for an end to all economic boycotts. Several other League members quietly professed taking steps to diminish the effects of the boycott. However, on September 30, 1994, the 6 member states of the Gulf Cooperation Council—Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates—made a public announcement to the effect that they would end their participation in the nonprimary levels of the boycott.

- The United States maintains that the secondary and tertiary levels of the Arab boycott of Israel appear to be inconsistent with Article I of the General Agreement on Tariffs and Trade (GATT).

  Bahrain, Qatar, and the United Arab Emirates recently became GATT members under Article XXVI:5(c) which allows former customs territories of other GATT contracting parties to join the GATT without a stringent review of their trade regimes. Saudi Arabia, which does not qualify under Article XXVI:5(c), is seeking to join the GATT and appears to be the first accession in which the trade policy implications of the boycott will receive close scrutiny. United States Trade Representative Michael Kantor has stated that the United States will not support a country's GATT accession until at least the secondary and tertiary levels of the boycott's enforcement are dismantled in that country.

- The boycott has had a chilling effect on Israel's business relations with other countries.

  It is likely that a number of firms have voluntarily refrained from business opportunities in Israel because of the boycott. The Federation of Israeli Chambers of Commerce conservatively estimates that the boycott has reduced investment in Israel below its potential by at least 15-20 percent per year and costs the Israeli economy about $2 billion annually.

U.S. and Foreign Antiboycott Compliance Laws

- The principal U.S. antiboycott compliance legislation is found in the Export Administration Act of 1979 (EAA) and in the Internal Revenue Code (IRC).

  The EAA makes an explicit exception for primary boycotts and so is principally aimed at discouraging cooperation in secondary and tertiary level boycotts. Because most boycotts are primary in nature, as a practical matter, the antiboycott compliance legislation in the EAA is aimed at the Arab League boycott of Israel. Unlike the EAA, under the IRC, boycott participation is not proscribed. The IRC denies certain tax benefits to U.S. taxpayers who participate in or cooperate with an unsanctioned international boycott but does not impose civil or criminal penalties.

- The 1994-95 Foreign Relations Authorization Act prohibits the sale or lease of U.S. military equipment to any country or international organization that, as a matter of policy or practice, implements the secondary and tertiary levels of the Arab boycott of Israel.

Effective April 30, 1995, the sale or lease of military equipment to any country that enforces the nonprimary levels of the boycott of Israel may be denied unless the President determines that the country does not maintain such a policy or issues a waiver for that country in the interest of national security or interest.

- At least 3 European Union countries (Germany, France, and the Netherlands) have enacted laws making cooperation with unsanctioned boycotts unlawful.

  None of these laws, however, is as detailed as or contains reporting requirements similar to those in U.S. law, and none of these countries is believed to have prosecuted any person violating them.

Economic Effects of the Boycott on U.S. Businesses

- The Arab League boycott of Israel imposes economic costs on U.S. businesses in several ways. U.S. firms that do business in the region face lost sales because of the boycott, and they incur significant costs associated with compliance with U.S. antiboycott laws.

  The Commission used questionnaire responses from a scientific sample to estimate lost sales. Based on lost sales data provided by firms that exported to boycotting countries and Israel, the Commission estimates that in 1993, U.S. businesses experienced total lost sales because of the boycott of approximately $410 million.

  Actual lost sales because of the boycott are likely to be higher than the projected estimate. In their questionnaire responses, many firms indicated that they were unable to quantify lost sales or business opportunities related to the boycott.

  The Commission used questionnaire responses from a scientific sample to estimate that the total 1993 cost of compliance with U.S. antiboycott compliance laws for U.S. firms doing business with boycotting nations was about $160 million.

  The majority of questionnaire respondents were either unable to quantify the effect of the boycott on profits, transportation costs, and investment, or indicated a minimal effect of the boycott in these areas.

- Questionnaire responses indicate that firms try to minimize the effects of the boycott in a number of ways.

  Firms have tried to minimize the impact of the boycott on their operations by implementing antiboycott compliance programs, not doing business in the Arab League countries, selling through foreign subsidiaries or distributors, seeking assistance from U.S. embassy personnel when conflicts arise, and by seeking exemptions from boycott authorities for themselves from boycott requirements.

- The experience with boycott enforcement reported by respondents suggests that firms more frequently face efforts by countries to enforce the boycott through insertion of boycott-related terms and requirements in transaction documents than by most other methods.

  In particular, firms reported that boycotting countries tried to force their compliance with the boycott through use of boycott-related language in shipping documents, letters of credit, contract conditions, and tenders and purchase orders rather than by use of boycott questionnaires about business connections with

Israel, customs refusal of goods on entry, or discriminatory inquiries about individuals associated with the firm.

- U.S. firms doing business in the Arab League countries reported that a number of effects of the boycott were difficult to quantify.

  These effects included increased delays in concluding transactions and associated costs, difficulty in obtaining intellectual property protection if blacklisted, and the blacklisting of firms with names similar to those of blacklisted firms. Moreover, another reported negative effect associated with the boycott was the difficulty of competing for business in the region against foreign competitors who do not face antiboycott compliance requirements similar to those in the United States.

- Questionnaire respondents indicated that the boycott has had little effect on their investment decisions, whether in Israel or in boycotting countries.

  Firms ranked economic viability of the project, political risk, and economic uncertainty in the region as more important in making investment decisions in the region than the Arab League boycott of Israel.

CHAPTER 1
Introduction

The determination of several political leaders, coupled with diverse diplomatic activity in the Middle East, has started that region's transition from an era of bitter conflict to a new era of peace. For many, this is a time of great promise and growing optimism.[1] Yet, a lingering holdover of the old era is a trade barrier that, while crumbling around the edges, remains firm at its core. The Arab League boycott of Israel, now well over forty years old, has historically constituted an obstacle to the free movement of persons, goods, services, and capital.[2]

The Arab League's boycott of Israel has three main levels of implementation, the so-called primary, secondary, and tertiary. On its primary level, the objective of the boycott is to prohibit direct economic relations between League members and Israel, including the importation of Israeli-origin goods and services into the boycotting countries. Of more significance for U.S. companies, are the nonprimary—secondary and tertiary—levels of the boycott that discriminate against foreign firms that maintain designated types of commercial relations with Israel. Generally, the secondary level of the boycott bars trade between the boycotting countries and those firms that contribute "significantly" to Israel's military or economic development. Such firms are blacklisted. The tertiary level of the boycott bars trade between the boycotting countries and those firms that continue to do business with blacklisted firms.

Using trading privileges in the lucrative Arab markets as an inducement, the secondary level of the boycott intends to pressure U.S. and other foreign firms into refraining from trade with, and investment in, Israel. In this way, the boycott enlists third countries and their firms in the Arab League's campaign to deny Israel vital products, technology, and capital.[3] The tertiary level of the boycott affects not only a third country's foreign trade but also internal patterns of trade by attempting to shape commercial relationships. Its purpose is to induce others to avoid commercial relations with those enterprises that the Arab League has blacklisted. A pervasive system of questionnaires and certifications is used to make the blacklisting sanction effective. Failure to satisfy boycott-related documentation requests, taking actions that violate boycott rules, or being suspected of violating boycott rules can lead to a firm's blacklisting.

The secondary and tertiary levels were implemented by the Arab League in 1954. Since that time, the United States and other third party countries have been confronted with problems of extraterritorial application of the boycott over their own business interests.[4] When rigidly enforced, the boycott effectively imposes a ban or zero quota on the products of a blacklisted firm.

Enforcement of the secondary and tertiary levels of the boycott among Arab League members varies

[1] A breakthrough in the peace process occurred with the September 13, 1993, signing of the Declaration of Principles between the Palestinian Liberation Organization (PLO) and Israel. The accord calls for mutual recognition between the PLO and Israel and autonomy for Palestinians in Gaza and Jericho.

[2] Membership in the Arab League includes the PLO and the following states: Algeria, Bahrain, Djibouti, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, Qatar, Saudi Arabia, Somalia, Sudan, Syria, Tunisia, the United Arab Emirates, and Yemen. Egypt, a founding member of the Arab League, terminated its participation in the boycott in 1979 after signing a peace agreement with Israel.

[3] Henry Steiner, "International Boycotts and Domestic Order: American Involvement in the Arab-Israeli Conflict," *Texas Law Review*, vol. 54, No. 7 (Nov. 1976), p. 1391.

[4] Primary economic boycotts are generally recognized as legitimate tools of international trade and politics. When a boycott expands to secondary and tertiary levels in which the boycotting country seeks to induce those in third countries to refrain from trading with the target of the boycott, however, the boycotting country has exceeded most of the commonly accepted notions of territorial jurisdiction. Howard Fenton, "United States Antiboycott Laws: An Assessment of Their Impact Ten Years After Adoption," *The Hastings International and Comparative Law Review*, vol. 10, No. 2, pp. 216-7.

widely, however, and has been even less consistent since the conclusion of the Gulf War in 1991. In June 1993, Kuwait publicly announced that it would no longer enforce the secondary and tertiary levels of the boycott.[5] The July 25, 1994, agreement signed between Israel and Jordan to end the state of belligerency between themselves calls for an end to all economic boycotts. Other Arab League members have professed to taking quiet steps to diminish the nonprimary effects of the boycott. For example, without officially changing their boycott regulations or issuing formal instructions, some countries that receive complaints by U.S. businesspeople about prohibited boycott-related language in commercial documentation, now remove that language.[6] It is an indication of the political sensitivity of the boycott issue that traditionally, with the exception of Kuwait's public statement and the promise recently made by Jordan, other boycotting countries have not been willing to announce publicly that steps to reduce the boycott's impact were being taken. This position changed radically, however, on September 30, 1994, when the 6 member states of the Gulf Cooperation Council (Bahrain, Kuwait, Oman, Saudi Arabia, Qatar, and the United Arab Emirates) made an announcement to the effect that they would no longer enforce the boycott on its secondary and tertiary levels.[7]

There is optimism that the important political changes occurring in the Middle East will lead to a further reduction in enforcement and eventual termination of the Arab boycott. Arab countries are increasingly open to products from blacklisted firms. Most observers agree, however, that it is unlikely the Arab League will formally end the boycott until the peace process is successfully concluded and until full normalization of relations between Israel and her Arab neighbors—particularly Syria and Lebanon—is restored.

The Clinton Administration has expressed its commitment toward ending the boycott in all of its aspects, but particularly the secondary and tertiary levels which affect U.S. firms. In addition, the U.S. Congress has a long record of calling for an end to the boycott. Most recently, the 1994-95 Foreign Relations Authorization Act prohibits U.S. military sales to countries enforcing the secondary and tertiary levels of the Arab League boycott.

The United States Trade Representative's Request

In a November 3, 1993, letter, United States Trade Representative Michael Kantor requested that the U.S. International Trade Commission (Commission) institute an investigation under section 332(g) of the Tariff Act of 1930 to study the effects of the Arab League boycott of Israel on U.S. businesses. (See appendix A.) In particular, the Commission was asked to estimate the costs associated with the boycott's secondary and tertiary levels.

The request letter stated that the costs of the boycott, defined as reduced U.S. exports and reduced profits of U.S. businesses, may include—

(a) lost sales and business opportunities in Arab League countries and/or Israel arising from being blacklisted or from seeking to avoid such blacklisting;

(b) increased costs of sourcing and transportation resulting from the boycott as well as boycott compliance costs, including legal costs and direct and indirect costs associated with compliance with antiboycott laws; and

(c) distorted or foregone investments in either the Arab or Israeli markets resulting from the boycott, as well as investment diverted from or denied to blacklisted firms due to association with Israel.

Purpose and Methodology

In response to the United States Trade Representative's request, the Commission instituted an investigation on December 2, 1993. (See appendix B for *Federal Register* notice initiating the study.) The purpose of the investigation is to estimate the costs to U.S. businesses associated with the secondary and tertiary levels of implementation of the Arab League boycott of Israel. The Commission collected data and other information from several primary sources. First,

[5] Although Kuwait no longer enforces the secondary and tertiary aspects of the boycott, Kuwait's boycott institutions, i.e., staff, laws, regulations, and blacklist, remain in place. U.S. Embassy officials, interviews with Commission staff, Kuwait City, July 23-25, 1994.

[6] According to the Office of Antiboycott Compliance (OAC), U.S. Department of Commerce, this is a major change from past practices. OAC official, telephone interview by USITC staff, Sept. 27, 1994.

[7] Following the Gulf Cooperation Council's (GCC's) announcement, the Arab League reaffirmed that the primary level of the boycott remains in effect for all the League countries.

a questionnaire was was sent to 603 U.S. firms to gather information directly from U.S. businesses about the impact of the boycott on their operations. (The questionnaire is reproduced in appendix C.) Respondents were asked to address such topics as effects of the boycott on export sales, costs, profits, investment, and costs of compliance with U.S. antiboycott laws during the period. The questionnaire covered the period from January 1, 1992, to December 31, 1993. A description of the survey design and methodology to estimate the economic effects of the boycott is presented in appendix C.

Information was also obtained from formal submissions to the Commission in response to the notice published in the *Federal Register* initiating the study and from U.S. Embassies located in Arab League countries. Embassy officials were asked to provide details on individual country implementation and enforcement of the boycott and an assessment of any problems that may have been encountered by U.S. firms. Finally, Commission staff traveled to the State of Kuwait and to the Kingdom of Saudi Arabia to meet with representatives of U.S. businesses and appropriate foreign government officials to obtain data, information, and their views on boycott-related issues. The March 17, 1994, hearing scheduled in connection with this investigation was cancelled since the Commission had received no requests to appear by the deadline for filing notices of appearances.

Organization of the Report

This report contains two major chapters. Chapter 2 provides a chronology tracing key events in the history of the boycott and explains how the Arab League's boycott of Israel is implemented and enforced. This chapter also provides an overview of U.S. and foreign legislative responses to the boycott. Chapter 3 summarizes the questionnaire results and analyzes the economic costs to U.S. businesses arising from the boycott. The methodology used to determine these estimates is contained in appendix C. A review of literature on economic sanctions generally, and on the boycott of Israel specifically, can be found in appendix D. For the purpose of providing background information on U.S. trade with the region, appendix E includes detailed data tables and discusses the trade relationship between the United States, Israel, and Arab League countries.

CHAPTER 2
The Arab League Boycott of Israel

The Arab League boycott had its beginnings even before the official creation of the state of Israel. In the late 19th century, Arab leaders called for a ban on land sales to Jewish immigrants into Palestine and for the boycott of Jewish-made goods. After the state of Israel was created in 1948, the boycott of Jewish goods and services became a boycott of Israeli goods and services. In May 1951, the League established the Central Boycott Office (CBO) in Damascus, Syria, as a permanent mechanism for coordinating implementation of the boycott, and intensified its activities. National boycott offices were subsequently established in most of the member states.

It was not until the 1970s—when Arab nations discovered their economic clout by means of the oil embargo—that the boycott of Israel became a prominent factor in international business. During the October War of 1973, a number of Arab countries announced large and immediate reductions in petroleum production.[8] Complete embargoes against petroleum shipments to the United States and to other industrialized countries friendly to Israel were subsequently adopted by all Arab petroleum-exporting countries. The embargoes were lifted in March 1974, but the price of petroleum then demanded by the Organization of Petroleum Exporting Countries' (OPEC) cartel remained high, from $2.50 per barrel prewar to $10-$11 per barrel postwar. Huge sums were consequently transferred from the oil-importing to the oil-exporting countries: $100 billion in 1974 compared with $20 billion in 1972.

Before the economic boom in the Arab world, many companies that had operations in Israel with no operations in the Arab world showed little concern for boycott rules and neglected to take any measures to remove themselves from the Arab League's blacklist. As the economic power of the Arab nations grew, however, business opportunities in the Middle East were greatly sought after by Western governments and their business people. The boycott of Israel, previously viewed by business as a minor trade disruption, became capable of barring many trading and manufacturing firms from one of the world's largest growth markets.[9] Figure 1 chronicles key events in the boycott's history.

[8] The information that follows is based on the economic impact of the October War of 1973 in, Andreas F. Lowenfeld, *Trade Controls for Political Ends*, vol. 3, 2d. ed. (New York: Matthew Bender, 1983), pp. 332-5.

Administration and Implementation of the Boycott

Administration

The boycott is governed by the Arab League Council (composed of representatives from each of the member states) and is based generally on an advisory document published by the Arab League entitled, "General Principles for the Boycott of Israel."[10] The Central Boycott Office (CBO) is the administrative arm of the Arab League Council regarding boycott matters. The CBO advises League members on boycott-related issues and coordinates their activities. Boycott rules and regulations are regularly amended through Council resolutions and conference recommendations. Amendments are adopted at the Council's biannual conferences.

The boycott's administration is characterized by its secretiveness and unpredictability. There is no single, publicly available blacklist. The central blacklist maintained by the CBO is advisory only, and individual country lists may vary. In practice, many

[9] Jack G. Kaikati, "The Arab Boycott: Middle East Business Dilemma," *California Management Review*, vol. 20, No. 3 (spring 1978), p. 32.

[10] For additional information on the organization of the boycott, see Library of Congress, CRS, *The Arab Boycott of Israel*, CRS Report for Congress, 92-802 F, Nov. 10, 1992; CRS, *Arab League Boycott of Israel: A Background Paper*, May 1977; and Sarna, *Boycott and Blacklist*.

Figure 1
Key Events in the History of the Boycott[11]

1891	Arabs request Ottoman rulers of Palestine to halt Jewish immigration and land sales to Jewish persons.
1922	Arab Congress calls on Arabs to boycott Jewish businesses in Palestine.
1929	Arab Congress vows to compel Arabs to boycott Jewish merchandise. Syria prohibits import of merchandise produced by Jewish businesses in Palestine.
1930	British Passfield White Paper reports that Jewish settlers in Palestine have adopted the principle of employing Jewish labor whenever possible.
1931	World Islamic Congress passes resolution requesting Muslim countries to boycott trade with Jewish businesses in Palestine.
1934	Arab Labor Federation pickets Jewish businesses in Palestine.
1944	Arab League is established.
1945	Arab League Council adopts Resolution 70, recommending that all Arab states establish national boycott offices.
1948	Creation of the State of Israel. The Arab League bans all commercial and financial transactions between Israel and the Arab states. Postal, radio, and telegraphic communications are cut off; land, sea, and air blockades are imposed.
1950	Arab League Council adopts Resolution 357 that sets out the organizational foundations of the boycott apparatus.
1951	Central Boycott Office is established in Damascus with branch offices in various member states.
1952	Arab League threatens to sever economic relations with West Germany and to blacklist firms participating in commodity aid programs with Israel.
1954	Arab boycott is extended globally to secondary and tertiary levels.
1956	Suez crisis. The U.N. Security Council declares that Egypt should not discriminate against any country in granting access to the canal.
1960	Amendment to the U.S. Mutual Security Act requires Federal government to deny foreign aid to nations maintaining unsanctioned boycotts and blockades.
1961	Congress adds preamble to the Foreign Assistance Act calling on government to support the principle of freedom of navigation in international waterways.
1965	U.S. Export Control Act amended to record opposition to foreign boycotts against friendly nations, to encourage and request U.S. firms not to comply with such boycotts, and to report receipt of boycott demands.

[11] This chronology is based on the following sources: Great Britain House of Commons, *Sessional Papers 1930-31*, vol. 16; Aaron J. Sarna, *Boycott and Blacklist, A History of Arab Economic Warfare Against Israel*, (Totowa, New Jersey: Rowman & Littlefield Publishers, 1986), pp. 231-235; Gary Clyde Hufbauer, Jeffrey J. Schott, and Kimberly Ann Elliott, *Economic Sanctions Reconsidered*, Institute for International Economics, Washington, DC, 1990, pp. 294-5; *U.S. Department of State Dispatch*, vol. 4, No. 40 (Oct. 4, 1993), p. 679 and vol. 5, No. 24 (June 13, 1994), p. 389; The Library of Congress, Congressional Research Service (CRS), *The Arab Boycott of Israel, CRS Report for Congress*, 92-802 F, Nov. 10, 1992, pp. 1-6; 1994 Knight-Ridder/Tribune Business News, NewsEdge/LAN, Jan. 31, 1994; Comtex Scientific Corporation, NewsEdge/LAN, May 1, 1994.

Figure 1—*Continued*
Key Events in the History of the Boycott

1966	Coca-Cola is blacklisted for opening plant in Israel; Coke plants all over the Arab world are shut down. Ford Motor company and RCA are also blacklisted.
1967	In the Six-Day War, Israel occupies territories from neighboring Arab states. Subsequently, the Arab League extends the boycott to those territories.
1969	Congress approves the Export Administration Act of 1969, extending the antiboycott provisions of the Export Control Act.
1971	Israel closes its own antiboycott office, claiming that the boycott is ineffective.
1973	In the October War of 1973, Egypt and Syria attack Israel. Organization of Arab Petroleum Exporting Countries embargoes oil shipments to the United States and to other industrialized democracies.
1975	News of Arab discrimination against banks with Jewish capital in France and the United Kingdom triggers antiboycott sentiment in the United States and in Western Europe.
	U.S. Department of Commerce requires exporters to report on whether or not they have complied with a boycott request. Previously, exporter merely reported request.
	Israel reestablishes its antiboycott office under the name of Authority Against Economic Warfare.
1976	U.S. Department of Justice files case against Bechtel Corp. alleging antitrust violation on account of discrimination. (Case is subsequently settled by consent decree.)
	Congress enacts the Tax Reform Act of 1976, providing that foreign tax credits and tax deferrals be denied to U.S. firms complying with unsanctioned foreign boycotts.
	Boycott becomes a prominent issue in U.S. presidential election campaign.
1977	Amendments to Export Administration Act of 1977 prohibit compliance with most foreign boycott requirements, including those involving handling of letters of credit by U.S. banks. They provide substantial penalties for violations.
1976-1979	Canada, members of the European Economic Community, and other West European countries take measures to discourage firms' compliance with boycott requests.
1979	Egypt signs peace treaty with Israel and abandons the boycott. Arab League enacts economic embargo against Egypt. Export Administration Act of 1979 is enacted with antiboycott provisions.
1983	U.N. General Assembly votes 84 to 24, with 31 abstentions, exhorting all countries to sever contacts with the state of Israel and isolate it in all fields, including trade.
1989	Egypt is formally welcomed back into Arab League.
1990-91	Iraq-Kuwait crisis escalates and leads to Gulf War.
1991	Oman, Qatar, Saudi Arabia, and the United Arab Emirates endorse the Egyptian proposal providing for the abandonment of the boycott in exchange for Israel's promise to halt the expansion of settlements in the occupied territories.

Figure 1—*Continued*
Key Events in the History of the Boycott

1992	Members of Congress circulate bills and letters calling for an end to the boycott. The National Defense Authorization Act for Fiscal Year 1993 goes into effect, prohibiting the U.S. Department of Defense from awarding contracts to foreign entities unless those entities certify that they do not comply with the Arab boycott of Israel.
	The State Department authorization bill for fiscal year 1993 goes into effect, enjoining the State Department from spending funds for contracts with U.S. and foreign firms that comply with the boycott.
	The Gulf Cooperation Council (GCC) recommends to its members (Bahrain, Kuwait, Oman, Saudi Arabia, Qatar, and the United Arab Emirates) that the nonprimary boycotts against U.S. firms be relaxed as a gesture of recognition for the U.S. role in the liberation of Kuwait.
	G-7 summit in London calls for an end to the boycott as well as an end to Israeli settlements. British Prime Minister John Major pledges to lead a European Community-wide effort opposing the boycott.
1993	*May*—Germany strengthens its antiboycott laws.
	June—Kuwait announces publicly that it will no longer enforce the nonprimary aspects of the boycott.
	July—G-7 summit in Tokyo calls for an end to the boycott.
	September—Israel and the PLO sign the Declaration of Principles in Washington, DC.
1994	*January*—The Government of Qatar confirms that it is negotiating with Israel for the construction of a natural gas pipeline to Europe.
	April—Israeli delegation participates in the Oman multilateral talks on water.
	May—Israel and the PLO sign agreement granting self-rule to the Gaza Strip and Jericho.
	June—Israel and Jordan begin negotiations to explore their future trade and economic relations.
	July—Israel and Jordan sign declaration ending the state of war between themselves. The declaration contains a promise to negotiate an end to all economic boycotts.
	August—Transfer of power from Israel to Palestine national authority begins.
	September—Israel and Morocco take steps to establish diplomatic relations. This is the most direct tie between Israel and an Arab state since the Israeli-Egypt peace accord in 1979.
	U.S. Congressional leaders propose expanding the 1985 U.S. Free Trade Agreement with Israel to all Arab nations that sign a peace accord with Israel.
	In a major development on September 30th, the GCC members announce they will end enforcement of the secondary and tertiary aspects of the boycott. The GCC action is taken independent of the Arab League.
	October—Israel and Tunisia agree to exchange economic liaison officers as a step toward establishing full diplomatic relations. This action makes Tunisia the third Arab country after Egypt and Morocco to establish direct ties with Israel.

exceptions are made to the boycott rules. The Council's actions do not have force of law in the member countries; each country defines and enforces the boycott according to its own ideology, within its own governmental structure, and according to its own strategic needs. Each boycotting country follows its own policy in deciding which firms to blacklist. The resulting various interpretations, degrees of enforcement, and ad hoc exceptions have contributed to the confusion that often surrounds the boycott's administration.[12]

The CBO collects information about firms' compliance with the boycott through questionnaires and from informants around the world. Thus, innuendo and rumor play a major role in the CBO's investigative activities.[13] Foreign companies suspected of violating the boycott rules might be called upon to furnish detailed explanations about their activities. Suspect firms may be warned or blacklisted automatically.[14] In some instances, a firm suspected of violating boycott rules might be asked to submit its contracts for inspection by the boycott authorities.[15] The information collected by the CBO is presented to the Arab League Council during its biannual conferences for a decision on blacklisting. The CBO then disseminates the decisions to the national boycott offices.

Although Arab League Council resolutions and CBO directives on blacklisting are used for guidance, the national laws, administrative rules, and policies to enforce the boycott vary greatly among the Arab League members. In the boycotting countries, the national boycott office (NBO) is the key administrative body. The organizational affiliation of each such office varies. The NBO may be part of the ministry in charge of economic affairs, for example, the Ministry of Economy and Foreign Trade in Lebanon[16] or the Ministry of Commerce in Saudi Arabia.[17] It might be part of the ministry in charge of foreign affairs, for example, the Ministry of Foreign Affairs in Yemen.[18] In some countries, such as Kuwait, the national boycott office is part of the customs administration.[19] In other countries, such as Syria, the defense establishment and the police may also be involved in boycott enforcement.[20] The following tabulation notes the agencies that are responsible for boycott enforcement:

Country	Agency
Algeria	Foreign Ministry
Bahrain	Ministry of Commerce
Djibouti	Ministry of Economy and Commerce
Jordan	Ministry of Finance, Customs Dept.
Kuwait	Customs Administration
Lebanon	Ministry of Economy and Foreign Trade
Mauritania	Customs Service and Foreign Trade Office
Morocco	(Not available)
Oman	Ministry of Commerce and Industry and Customs Dept.
Qatar	Ministry of Finance, Economy and Trade
Saudi Arabia	Ministry of Commerce
Syria	Directorate General of Customs
Tunisia	Ministry of Foreign Affairs
United Arab Emirates	Ministry of Economy and Commerce
Yemen	Ministry of Foreign Affairs

Implementation

The boycott is implemented primarily in two ways: by means of a customs check at ports of entry in boycotting countries for goods from blacklisted firms and through mandatory statements included in contracts and in financial documents saying that the

[12] The discretionary character of the administration of the boycott has led to some unusual applications of blacklisting. Certain firms that have formally refused to comply with the boycott have escaped blacklisting, for example, Hilton Hotels. Steiner, "International Boycotts and Domestic Order", p. 1364. On the other hand, the blacklist has included individual movie actors, a group of Yiddish schools and institutions, and the city of Boston. Ibid.

[13] According to some business people and Government officials, it is not unusual that companies bidding for Arab business accuse each other of maintaining business contacts with Israeli firms that are proscribed under boycott rules. The purpose of such accusations is to cause a competitor to be blacklisted or otherwise disqualified. Reportedly, firms will make such allegations against their competitors without regard to whether the competitor firm is of the same or different nationality. Government officials and business representatives, interviews by USITC staff, Kuwait City, July 23-25, 1994.

[14] Ibid.

[15] League of Arab Countries, General Secretariat, Head Office for the Boycott of Israel, Damascus, *General Principles for the Boycott of Israel*, translated by the U.S. Department of State Division of Language Services (LS No. 34448 T-C/R-Arabic), p. 453; Al-Shaybani Society of International Law, Ltd., *The Palestine Yearbook of International Law*, vol. III (1986), p. 196.

[16] U.S. Department of State, telegram, message reference No. R 1008552, Beirut, 1994.

[17] Ibid., message reference No. R 221352Z, Riyadh, 1994.

[18] Ibid., message reference No. R 071348Z, Sanaa, 1994.

[19] Ibid., message reference No. R 121456Z, Kuwait, 1994.

[20] Sarna, *Boycott and Blacklist*, p. 38.

firms involved are not subject to the blacklist.[21] Boycott rules stipulate that failure to provide required documentation can result in seizure of goods or substantial clearance delays. Because of the uneven nature of enforcement, some blacklisted firms experience little difficulty in exporting their goods to a particular boycotting country, whereas other blacklisted firms suffer considerable financial losses to their operations. For these companies, being blacklisted means annual losses in millions of dollars in terms of sales, market share, and public goodwill.[22]

The "General Principles for the Boycott of Israel" lists situations and activities that can result in the blacklisting of "foreign companies and institutions acting in support of the economy of Israel."[23] The criteria for blacklisting differ according to the type of economic activity; there are separate regulatory codes for companies that manufacture arms or computers, produce oil, operate in the nuclear field, are engaged in shipping, air transport, satellite communications, tourism, banking, insurance, television and motion pictures, export by mail order catalogue, and so forth. Although blacklists are not publicly available documents, it is estimated that over 6,300 entities were on the central blacklist in 1976.[24] The current list is still estimated to contain several thousand names.[25] Firms on the blacklist range from very small gift shops to major international corporations.

According to the "General Principles for the Boycott of Israel," a company may be blacklisted if it meets any of the following criteria:

(1) has a main or branch factory in Israel;

(2) has an assembly plant in Israel or supply components for assembly in Israel;

(3) has a Middle Eastern general agent or head office in Israel;

(4) licenses an Israeli company to use its trademark;

(5) engages in joint ventures with Israeli companies;

(6) possesses Israeli shares, bonds, or other investments or sells similar assets to Israeli citizens;

(7) lends money or provides financial aid in any form to Israeli entities;

(8) supplies advice or technical expertise to Israeli manufacturers;

(9) constructs ships or tankers for, or sells such commodities to, Israel;

(10) sells products, materials, or raw materials of Arab origin to Israel;

(11) sells a factory to Israel that contributes to Israel's economic or military strength;

(12) acts as a commission agent for the distribution of Israeli products;[26]

(13) imports Israeli goods while refusing to handle Arab goods on the same basis;

(14) has Israeli citizens and/or "Zionist/Jewish" sympathizers in policymaking positions;[27] or

(15) is owned 50 percent or more by "pro-Zionist" persons.

Generally, merely buying from or selling to a blacklisted company is not a sufficient cause for a firm's blacklisting. A company may be blacklisted, however, if it—

[21] U.S. law severely restricts the type of information that can be furnished to boycott authorities in response to requests for information. See section on U.S. antiboycott compliance laws later in this chapter.

[22] For example, a representative from Coca Cola Kuwait reported that, at the time his company was blacklisted in 1966, it had been the leader in the market with an 87-percent share. The blacklist was so effective that, for 22 years, Coca Cola disappeared completely from the United Arab Emirates, Oman, Bahrain, Kuwait, and from other Arab markets. He estimated that removal from the market in Kuwait alone cost his company about $666 million in turnover during that period. At the end of 1987, Coca Cola received unofficial word that it was off the blacklist. Coca Cola representative, interview by USITC staff, Kuwait City, July 24, 1994.

[23] League of Arab Countries, *General Principles for the Boycott of Israel*, p. 442.

[24] Sarna, *Boycott and Blacklist*, 1986, p. 33.

[25] Government officials, interviews by USITC staff, Kuwait City, July 23-25, 1994.

[26] This regulation aims at preventing the re-export of Israeli products. David Leyton-Brown, ed., *The Utility of International Economic Sanctions*, (New York: St. Martin's Press, 1987), p. 226.

[27] This category may include members of joint foreign-Israeli chambers of commerce, regardless of religion, and individuals who participate in Jewish organizations or who contribute funds to groups active in or on behalf of Israel. Ibid., p. 225.

(1) is an agent of a blacklisted company;

(2) is a subsidiary or the parent corporation of a blacklisted firm or invests in such a firm;[28]

(3) incorporates into its own products components produced by a blacklisted company;

(4) manufactures products based on a concession or license acquired from a blacklisted firm;

(5) accepts technical assistance from a blacklisted company;

(6) uses the services of a blacklisted shipping or insurance company.[29]

Blacklisting can be complete or partial. The complete ban prohibits all dealings with a company. The partial ban is limited to one or a number of products manufactured or traded by a given company. In general, a company may be subjected to a partial ban if it does not trade Israeli products exclusively, if it does not refuse to deal in Arab goods, and if the proscribed business relations involve only a fraction rather than the entirety or a significant portion of the company's output. For example, the partial boycott may be applied against a company because it uses packaging material (paper, metal, glass, and so forth) purchased from a blacklisted firm. Products packaged in material purchased from blacklisted firms are, in principle, banned from boycotting Arab League countries.

While it is possible for a firm to be removed from the CBO's central blacklist, it is a very difficult process. Delisting is done through private negotiation rather than in public forums, and administration of the blacklist is not sufficiently systematic to allow a determination of how firms are delisted. In addition to the delays caused by slow-moving bureaucratic administration, a delisting from the CBO list requires an often unattainable unanimity among League members.[30] Delisting from a country's national list presents obstacles that vary according to the level of enforcement in the particular country.

Enforcement of the Boycott at the Nonprimary Levels

As stated earlier, enforcement of the secondary and tertiary levels of the boycott varies significantly among the boycotting countries; it sometimes varies among each country's ministries. There is a pragmatic quality to blacklisting in that each League member that enforces the nonprimary boycotts places its own national interests above enforcement. Consequently, a boycotting country may maintain business relations with a foreign firm regardless of that firm's connections with Israel, as long as the boycotting country needs that firm's products or services.[31] The boycotting country will either exempt such firms from the blacklist or continue to do business with them despite their presence on the blacklist. For example, U.S. companies in the defense industry that sell weapons to Israel generally have not been denied sales opportunities in the boycotting countries.[32]

The stated level of national commitment to enforcing the nonprimary levels of the boycott is sometimes at odds with the willingness of public officials and private firms to cooperate. In a number of boycotting countries, for example, some customs officials are reportedly bribed to clear the goods of blacklisted companies.[33] Moreover, private firms that

[28] The League's definition of a parent company is similar to the U.S. corporate law definition: company A is considered the parent of company B if company A's interest in company B exceeds 50 percent, or if company A exerts control over company B's administration and policymaking, regardless of the degree of interest held by company A. *General Principles for the Boycott of Israel*, pp. 451 and 457; Al-Shaybani Society of International Law, Ltd., *The Palestine Yearbook of International Law*, vol. IV (1987-1988), p. 348.

[29] Sources for the boycott criteria include the *General Principles for the Boycott of Israel*, *The Palestine Yearbook of International Law*, vol. III (1986) and vol. IV (1987-1988), and David Leyton-Brown, ed., *The Utility of International Economic Sanctions*, pp. 225-6.

[30] Hearings Before the Subcommittee on Multinational Cooperation of the Committee on Foreign Relations, U.S. Senate, "Multinational Cooperation and United States Foreign Policy," pt II, 94th Cong., p. 373. According to U.S. Government officials, even League members who do not participate in the boycott have a vote in whether or not to delist a company. Embassy officials, interviews by USITC staff, Kuwait, July 23-25, 1994, and Riyadh, July 26-28, 1994.

[31] Steiner, "International Boycotts and Domestic Order," p. 1364.

[32] The Library of Congress, CRS, *The Arab Boycott of Israel*, CRS Report for Congress, 92-802 F, Nov. 10, 1992, p. 2; and *Arab League Boycott of Israel: A Background Paper*, May 1977, p. 19.

[33] Attorney specializing in boycott issues, interview with Commission staff, Apr. 14, 1994. According to Steiner, "International Boycotts and Domestic Order," p. 1364: "the national offices exhibit different degrees of discretion, inefficiency, and corruption."

want to import the goods of blacklisted companies have often developed a variety of ways to bypass boycott rules. For example, the re-labelling of products purchased from blacklisted companies is reportedly widespread.[34]

Generally, enforcement of the secondary and tertiary levels of the Arab League's boycott of Israel has declined significantly in the past few years, particularly since the Gulf War.[35] Following the conclusion of its 1979 peace treaty with Israel, Egypt officially abandoned all levels of the Arab League's boycott. The peace accord Jordan recently negotiated with Israel calls for normalization of their bilateral relationship and for the dismantling of all economic boycotts as a future objective.[36] Algeria, Djibouti, Mauritania, Morocco, Somalia, Sudan, Tunisia, and Yemen may approve of the boycott in principle, but they do not enforce it on the secondary and tertiary levels.[37]

In a departure from past practices, a number of countries no longer enforce vigorously the nonprimary levels of the boycott. In particular, the policies of the members of the Gulf Cooperation Council (Saudi Arabia, Oman, Kuwait, Qatar, Bahrain, and the United Arab Emirates) have slowly progressed toward relaxing the nonprimary aspects of the boycott. In recognition of U.S. efforts to liberate Kuwait, for example, GCC members decided to relax enforcement of nonprimary boycotts against U.S. firms.[38] In June 1993, Kuwait renounced enforcement of the secondary and tertiary boycotts altogether.[39] Saudi Arabia, the largest U.S. trading partner among the Arab League countries, dropped boycott language from some commercial documents, and U.S. exporters encounter fewer boycott-related difficulties in that country than before the Gulf War.[40] Saudi Arabia has reportedly eliminated nonprimary boycott considerations in awarding public works contracts.[41] Qatar has removed several U.S. companies from its blacklist since 1991 and does not appear to be a rigorous enforcer of nonprimary boycotts.[42] Oman and the United Arab Emirates are reportedly lenient in their enforcement and helpful in resolving problems that may arise from boycott application.[43] The individual actions of these countries are all important, but the most significant development toward easing the boycott came in September 1994, when in a surprise announcement the GCC issued a statement to the effect that its members would no longer enforce the secondary and tertiary levels of the boycott.[44]

Other countries are perceived to strictly enforce the boycott. Lebanon, for example, is reportedly a strict enforcer of the boycott. Nevertheless, products from blacklisted companies are reportedly allowed entry into that country when the government is the end-user.[45] Iraq and Libya enforce the boycott rigorously on all levels. In accordance with United Nations resolutions, however, the United States imposes economic sanctions on both countries and generally prohibits U.S. firms from trading with either country.[46] Syria is also a strict enforcer of the boycott. While Syria is not subject to United Nations sanctions, the United States does restrict the

[34] Steiner, "International Boycotts and Domestic Order," p. 1364.

[35] U.S. Department of State, telegram, message reference No. O 060329Z, Washington, DC, 1994; *U.S. Department of State Dispatch*, vol. 4, No. 40 (Oct. 4, 1993) p. 680.

[36] *U.S. Department of State Dispatch, Supplement*, vol. 4, No. 4 (Sept. 1993), p. 17; *Weekly Compilation of Presidential Documents*, vol. 30, No. 30 (Aug. 1, 1994), pp. 1548 and 1549.

[37] U.S. Department of the Treasury official, interview with Commission staff, Apr. 29, 1994 and U.S. Department of State, telegram, message reference No. R 071348Z.

[38] The Library of Congress, CRS, *The Arab Boycott of Israel*, CRS Report for Congress, 92-802 F, Nov. 10, 1992, p. 4.

[39] *U.S. Department of State Dispatch*, vol. 4, No. 40, (Oct. 4, 1993) p. 680. Nevertheless, the *Official Gazette* has not published the decision on the elimination of nonprimary boycotts. Government officials, interviews by USITC staff, Kuwait City, July, 23-25, 1994. There is a discrepancy between the assurances provided by Kuwaiti officials and the actions of Kuwaiti government agencies

[39]*—Continued*

responsible for boycott-related requests. The U.S. Commerce Department, OAC, reports that the number of prohibited requests to U.S. companies remains steady. There were 46 prohibited requests during the April-June 1994 quarter. Given the statements made by Kuwaiti officials that the secondary/tertiary levels of the boycott are no longer enforced, there should be no requests for boycott-related information from that country made to U.S. companies. U.S. Department of State, telegram, message reference No. 032115Z, 1994.

[40] Ibid., message reference No. R 221352Z.

[41] *U.S. Department of State Dispatch*, vol. 4, No. 40 (Oct. 4, 1993), p. 680.

[42] U.S. Department of State, telegram, message reference Nos. R 021203Z and O 051059Z, Doha, 1994.

[43] Ibid., message reference No. R 220935, Abu Dhabi, 1994.

[44] U.S. Department of State, telegram, message reference No. O 010017Z, Washington, 1994.

[45] U.S. Department of State, telegram, message reference No. R 100855Z, Beirut, 1994.

[46] 31 CFR, pt.575 and 31 CFR pt. 550.

exportation of high technology products to Syria because of its alleged links to international terrorism.[47]

Relationship of the Boycott to the General Agreement on Tariffs and Trade

The United States maintains the position that the secondary and tertiary levels of the Arab boycott of Israel appear to be inconsistent with Article I of the General Agreement on Tariffs and Trade (GATT).[48] Article I of the GATT requires contracting parties who have GATT relations with each other to grant unconditional most-favored-nation treatment (MFN) to exports originating in those countries. GATT contracting parties are not required to trade with each other, however. Thus, an Arab country acceding to the GATT may choose at that time not to extend trade privileges to Israel. A GATT contracting party may invoke nonapplication at the time of its accession.

Boycotting the products of firms outside of Israel, however, would not be covered by GATT nonapplication provisions, and probably could not qualify for "national security" or other GATT exclusions. The secondary and tertiary levels of the Arab League boycott of Israel thus appear inconsistent with Article I of the GATT. United States Trade Representative Michael Kantor has stated that the United States will not support a country's GATT accession until at least the secondary and tertiary aspects of the boycott are dismantled in that country.[49]

Saudi Arabia is seeking to join the GATT. Other boycotting countries have joined the GATT in the past, but Saudi Arabia appears to be the first accession in which the trade policy implications of the boycott will receive close scrutiny. A number of boycotting countries that have become contracting parties to the GATT have done so under Article XXVI:5(c), which allows qualifying countries (those that were former customs territories of other GATT contracting parties) to join the GATT without a stringent review of their existing trade regimes.[50] Bahrain, Qatar, and the United Arab Emirates recently became contracting parties under these rules. (See table 1.) Countries like Saudi Arabia, which do not qualify under Article XXVI:5(c), must participate in the full accession process under Article XXXIII. Some boycotting nations, such as Morocco and Tunisia, have joined the GATT through the full accession process. The Working Parties for these accessions did not discuss the boycott, although the trade policy implications of the boycott would have justified doing so.[51]

Impact of the Boycott on Israel

The Arab League's stated objectives for the boycott are to weaken Israel by depriving that country of its needed goods and services, to protect the national security of Arab states by preventing infiltration of goods from "Zionist" sources, and to promote and emphasize Israel's isolation in the Middle East and in the world as a whole.[52] The boycott has affected Israel by reducing that country's export markets, limiting its access to technology, placing restraints on Israel's producer and consumer imports, and causing significant constraints on international participation in Israel's infrastructure development projects.[53] Nonetheless, shortages in goods or capital have not developed in Israel.

Much has been written, however, about the boycott's substantial "chilling effect" on Israel's business relations, and it is in the area of foregone potential that the boycott is likely to have had its greatest, and least measurable, impact.[54] It is unknown how many firms may have voluntarily refrained from opportunities for trade, investment, licensing, or finance with Israel under pressure from, or in anticipation of greater profits in Arab markets.[55] The Federation of Israeli Chambers of Commerce conservatively estimates that the Arab League's boycott has reduced investment in Israel below its potential by at least 15-20 percent per year and costs the Israeli economy approximately $2 billion annually.[56]

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[47] 15 CFR 785.4

[48] USTR official, telephone conversation with USITC staff, Aug. 1994.

[49] Ambassador Kantor, United States Trade Representative, testimony before Hearing of the House of Foreign Affairs Committee on U.S. Trade Policy, Mar. 2, 1994.

[50] USTR officials, telephone conversation with USITC staff, Aug. 1994.

[51] Ibid.

[52] Lowenfeld, *Trade Controls for Political Ends*, pp. 313-4.

[53] Sarna, *Boycott and Blacklist*, p. 51.

[54] Donald Losman, "The Effects of Economic Boycotts," *Lloyds Bank Review*, (no date), p. 36. See appendix D for a bibliography and review of economic literature relating to boycott issues.

[55] Lowenfeld, p. 319.

[56] The Embassy of Israel, submission on behalf of the Federation of Israeli Chambers of Commerce, Apr. 28, 1994, p. 3.

Table 1
GATT status of selected countries, as of October 1994

Country	Date of succession under art. XXVI:5(c)	Date of accession under art. XXXIII
	Members	
Bahrain	Dec. 13, 1993	—
Israel	—	July 5, 1962
Kuwait	May 3, 1963	—
Mauritania	Sept. 30, 1963	—
Morocco	—	June 17, 1987
Qatar	Apr. 7, 1994	—
Tunisia	—	Aug. 19, 1990
United Arab Emirates	Mar. 8, 1994	—
	Applicants	
	Applicants for accession under art. XXXIII[1]	
		Working party established
Algeria		June 1987
Jordan		Jan. 1994
Saudi Arabia		July 1993

[1] Yemen applies the GATT on a de facto basis, but has not applied for membership.

Source: GATT, *Analytical Index: Guide to GATT Law and Practice*, 6th ed., 1994.

U.S. and Foreign Laws Responding to the Arab League Boycott of Israel

The principal U.S. antiboycott compliance legislation is found in the Export Administration Act of 1979 (EAA) and in the Internal Revenue Code. Most of this legislation was enacted in 1976-77 in the aftermath of the surge in oil prices following the Arab-Israeli October War of 1973. At that time, the importance of the Arab market increased significantly due, in part, to soaring Arab earnings from petroleum exports. The EAA makes an explicit exception for primary boycotts and so is principally aimed at discouraging cooperation in secondary and tertiary boycotts. Because most international boycotts are primary in nature only, as a practical matter, the antiboycott compliance legislation in the Export Administration Act is aimed at the Arab League boycott of Israel.

Antiboycott compliance legislation can also be found in recent State and Defense Department authorization and appropriations legislation, which prohibit the Departments from purchasing goods and services from firms participating in boycotts and directs the President to take into consideration foreign country participation in the Arab League boycott of Israel in determining whether to sell weapons to a country.

U.S. antiboycott compliance legislation dates to 1965, when Congress amended the Export Control Act of 1949 to include a policy statement against unsanctioned boycotts. The amendment stated that it was U.S. policy to oppose boycotts fostered by foreign countries against other countries friendly to the United States and to encourage U.S. companies to refuse to cooperate with such boycotts. The 1965 legislation, however, did not prohibit U.S. firms from complying with the boycott. Pursuant to the policy directive set out in the 1965 legislation, the Department of Commerce issued regulations prohibiting discrimination against Americans based on a foreign boycott and requiring U.S. firms to submit boycott request reports, generally in confidence. These amendments were subsequently incorporated into the Export Administration Act of 1969, which superseded the 1949 act.

By the mid-1970s, however, Congress had concluded that the policy statement in the 1969 act and regulations issued by Commerce were not effective and that a stronger stand was required.[57] As explained earlier in the chapter, the Arab boycott had evolved beyond the traditional primary form of boycott associated with severance of economic relations between the boycotting country and the target country, and had come to include efforts by boycotting countries to blacklist U.S. firms which did business with Israel even in transactions unrelated to business with the Arab states and to blacklist firms which did business with blacklisted firms. The League's boycott involved innocent third parties, including U.S. businesses not otherwise involved in the Middle East dispute or even trade in the Middle East.[58] U.S. companies often learned that they were on a blacklist when a shipment of goods was impounded or otherwise denied clearance at a boycotting country's port of entry. To avoid being placed on a blacklist, U.S. firms in many instances were forced to discriminate against other U.S. firms believed to be on the list. The Subcommittee on Oversight and Investigations of the House Committee on Interstate and Foreign Commerce reported in May 1976 that U.S. firms were complying with over 90 percent of boycott-related requests as a requirement for doing business with Arab countries.

To further discourage participation by U.S. persons in the boycott, Congress amended the antiboycott provisions in the 1969 law in the Export Administration Amendments of 1977 to prohibit U.S. citizens and companies from taking proscribed actions with the intent to comply with, further, or support unsanctioned boycotts against countries friendly to the

[57] U.S. House, Committee of International Relations, 95th Cong., 1st sess., H.R. 5840, H. Rept. 95-190, p. 3; repr. in *1977 U.S. Code Congressional and Administrative News*, p. 362.

[58] For a detailed discussion of the Arab boycott of Israel as it was understood to operate in 1977 at the time Congress was considering amendments to the Export Administration Act of 1969, see Additional Views of Hon. Benjamin S. Rosenthal, in U.S. House, Committee of International Relations, 95th Cong., 1st sess., H.R. 5840, H. Rept. 95-190, pp. 47-55; repr. in *1977 U.S. Code Congressional and Administrative News*, p. 391-99. The material in the remainder of this paragraph of the text is based on information contained in those additional views.

United States.[59] The amendments also prohibited U.S. persons, including U.S.-controlled subsidiaries and affiliates abroad, from discriminating against or refusing to do business with other persons in response to an unsanctioned foreign boycott, and required reporting of boycott-related requests. The amendments were based in part on recommendations made by the Business Roundtable and the Anti-Defamation League and recommendations contained in a September 1976 report on "The Arab Boycott and American Business" by the Subcommittee on Oversight and Investigations of the House Committee on Interstate and Foreign Commerce. The 1977 antiboycott amendments were subsequently reenacted without substantive change in the Export Administration Act of 1979.

The EAA expired on September 30, 1990, and subsequently was extended for additional periods on two occasions.[60] The most recent extension expired on August 20, 1994 and on that date President Clinton issued Executive Order 12924 further extending the EAA regulations and, to the extent permitted by law, the provisions of the act.[61]

Prior to the 1977 EAA amendments, the Tax Reform Act of 1976 amended the Internal Revenue Code to deny certain tax benefits to firms that violate the antiboycott provisions of the Internal Revenue Code and to impose certain reporting requirements on taxpayers. Congress added the provisions in order to deny multinational corporations tax incentives "when they engage in misconduct."[62] Congress also expected that many taxpayers would not participate in an international boycott if taxpayers and foreign countries were made aware that tax preferences are not available to taxpayers who participate in such a boycott.[63]

[59] Public Law 95-92, 91 Stat. 235.

[60] The Act was extended from March 27, 1993, to June 30, 1994, and again from July 5, 1994, to August 20, 1994.

[61] 59 F.R. 43437, Aug. 23, 1994.

[62] Report of the Senate Committee on Finance on H.R. 10612 (Tax Reform Act of 1976), 94th Cong.. 2d sess., S. Rept. No. 94-938, p. 12; repr. in *1976 U.S. Code Congressional and Administrative News*, p. 3449.

[63] Report of the Senate Committee on Finance on H.R. 10612 (Tax Reform Act of 1976), 94th Cong., 2d sess., S. Rept. No. 94-938, p. 287; repr., in *1976 U.S. Code Congressional and Administrative News*, p. 3718.

Export Administration Act of 1979

A Congressional statement of U.S. policy on boycotts is set forth in section 3(5)(A) and (B) of the EAA (50 U.S.C., appendix 2402(5)(A) and (B)). U.S. policy is "to oppose restrictive trade practices or boycotts fostered or imposed by foreign countries against other countries friendly to the United States or against any United States person;" and "to encourage and, in specified cases, require United States persons engaged in the export of goods or technology or other information to refuse to take actions . . . which have the effect of furthering or supporting [such] restrictive practices or boycotts. . . ."

For the purpose of implementing such policies, section 8 of the EAA (50 U.S.C., appendix 2407) directs the President to issue regulations prohibiting U.S. persons engaged in interstate or foreign commerce from taking or knowingly agreeing to take any of six specified actions with the intent to comply with, further, or support any boycott fostered or imposed by a foreign country against a country which is friendly to the United States and which is not itself the object of any form of boycott pursuant to U.S. law or regulation.[64] Prohibited actions include: refusal to do business in or with the boycotted country or with firms or nationals of that country (this includes the use of either a boycott-based blacklist or a boycott-based list of non-blacklisted firms); the supply of information with respect to the race, religion, sex, or national origin of U.S. persons; the supply of information concerning whether a person has or has had any kind of business relationship with or in a boycotted country or firms or nationals of that country; and the act of paying, honoring, confirming, or otherwise implementing a letter of credit containing any condition or requirement that is prohibited by the relevant U.S. regulations.[65] The EAA provides an exemption for the primary aspect of the boycott. Thus,

[64] 50 U.S.C., app. 2407(a)(1).

[65] 50 U.S.C., app. 2407(a)(1)(A)-(F). U.S. banks were viewed as the "principal enforcers of the Arab boycott. They are the ones who exact compliance with the boycott as the price for payment by the Arab importer." See Additional Views of Hon. Benjamin S. Rosenthal, Committee of International Relations, 95th Cong., 1st sess.,H.R. 5840, H. Rept. 95-190, p. 47; repr., in *1977 U.S. Code Congressional and Administrative News*, p. 391.

a firm may agree not to export goods from a boycotting country into Israel or not to import goods from Israel into a boycotting country.

The antiboycott provisions of the EAA are administered by the U.S. Department of Commerce.[66] Persons receiving boycott-related requests are required by the act to report such requests on a quarterly basis to the Secretary of Commerce.[67] Such reports are made public (with the exception of confidential business information of a transactional nature).[68] Under detailed reporting regulations,[69] Commerce in 1993 received 9,149 reports from U.S. persons. The number of reports filed in recent years has declined. Commerce received 9,857 reports in 1992 and 12,102 in 1989.

Section 11 of the EAA authorizes Commerce to impose administrative sanctions and criminal penalties against persons found to be in violation of regulations issued pursuant to section 8 of the EAA.[70] Such sanctions include suspension or revocation of validated export licenses, general denial of export privileges, exclusion from practice before the Commerce Department, and civil penalties of up to $10,000 per violation. In addition, the Act provides for criminal penalties of up to $50,000 per violation or imprisonment for up to 5 years or both.[71]

Since 1977, Commerce has concluded 497 cases involving allegations of violation of the act, and these cases have resulted in the imposition of fines that in the aggregate exceed $22 million.[72] The largest fine, which included both civil and criminal penalties, exceeded $6.5 million; it was paid by Baxter International Inc. and related companies in a case concluded in 1993.[73]

[66] The functions conferred upon the President under section 8(a) of the EAA were delegated to the U.S. Department of Commerce by Executive Order 12214, May 2, 1980 (45 F.R. 29783).

[67] 50 U.S.C., app. 2407(b)(2).

[68] Ibid.

[69] For Commerce regulations setting out reporting requirements, see 15 CFR 769.6.

[70] 50 U.S.C., app. 2410.

[71] Ibid. See also Commerce regulations at 15 CFR 788.3.

[72] Commerce officials, interviews by USITC staff, Sept. 19, 1994, and Sept. 20, 1994.

[73] Commerce officials, interviews by USITC staff, Sept. 27, 1994.

Internal Revenue Code

The U.S. Internal Revenue Code (IRC) denies certain tax benefits to U.S. taxpayers who participate in or cooperate with an unsanctioned international boycott. It also imposes certain reporting requirements on taxpayers with operations in or related to a boycotting country. Unlike the EAA, the IRC does not proscribe boycott participation. The IRC does not provide for the imposition of civil or criminal penalties against taxpayers who participate in or cooperate with an unsanctioned international boycott. Taxpayers not using the tax benefits that are denied may participate in a boycott as long as they fully report such participation to the IRS.

The tax benefits that are denied are (1) the foreign tax credit, (2) the deferral of tax on the earnings of Domestic International Sales Corporations (DISCs) and of the successors to DISC (Interest-Charge Domestic Sales Corporations (IC-DISCs)) and Foreign Sales Corporations (FSCs), and (3) the deferral of tax on the earnings of certain foreign subsidiaries. Section 908 of the IRC[74] denies the foreign tax credit (but not a deduction) for foreign taxes on boycott income. Sections 995(b)(1)(F)(ii) and 927(c)(2) of the IRC[75] deny DISC and FSC benefits for boycott income. Section 952(a)(3) of the IRC[76] denies tax deferral for earnings produced by a controlled foreign corporation that are attributable to participation in or cooperation with an international boycott.

Section 999 of the IRC[77] sets out certain taxpayer reporting requirements and definitions and provides for certain taxpayer-requested determinations by the Secretary of the Treasury. Section 999(a) requires U.S. taxpayers with operations in or related to a boycotting country (or with the government, a company, or a national of a boycotting country) to file an "International Boycott Report" (IRS form 5713) with their annual tax return. "Boycotting countries" are countries that are included on a list maintained by the Secretary of the Treasury or countries that the taxpayer knows (or has reason to know) require participation in or cooperation with an unsanctioned international boycott as a condition of doing business. The Secretary of the Treasury is required to publish a quarterly list of those countries that may require participation in or cooperation with an international boycott. As of October 1994, the list included 12 countries: Bahrain, Iraq, Jordan, Kuwait, Lebanon, Libya, Oman, Qatar, Saudi Arabia, Syria, United Arab Emirates, and the Republic of Yemen. According to

[74] 26 U.S.C. 908.

[75] 26 U.S.C. 995(b)(1)(F)(ii); and 26 U.S.C. 927(c)(2).

[76] 26 U.S.C. 952(a)(3).

[77] 26 U.S.C. 999.

the IRS, only 71 of the 1,281 persons filing boycott reports for 1990 reported participation in or cooperation with an international boycott; almost all were corporations.[78] The individual reports filed with the IRS are regarded as confidential.

Section 999(d) provides for determinations by the Secretary of the Treasury, at the request of a taxpayer, with respect to whether a particular operation constitutes participation in or cooperation with an international boycott. The IRS has published several sets of guidelines relating to the international boycott provisions.[79]

Other U.S. Statutes

Section 322 of the Foreign Relations Authorization Act, Fiscal Years 1992 and 1993,[80] as amended by the Foreign Relations Authorization Act, Fiscal Years 1994 and 1995,[81] requires the President to consider, when making military sales to any country under the Arms Export Control Act or providing military assistance under the Foreign Assistance Act, whether a country participates in the Arab League boycott of Israel.[82] The 1994-95 Authorization Act also prohibits, effective April 30, 1995, the sale or lease of defense articles or services by the United States to any country or international organization that, as a matter of policy or practice, is known to have sent letters to U.S. firms requesting compliance with, or soliciting information regarding compliance with, the Arab League boycott of Israel. This prohibition is effective unless the President determines that the country or organization does not currently maintain such a policy or practice or the President finds that a waiver of application of the prohibition is either (1) in the national security interest or (2) in the national interest and such waiver will promote the elimination of the Arab League boycott.[83] The 1994-95 Authorization Act likewise prohibits the U.S. Department of State from entering into contracts (except for real estate leases) to expend funds in excess of the small purchase threshold (currently $25,000) with a foreign person that complies with the Arab League boycott of Israel or with any foreign or U.S. person that discriminates in the award of subcontracts on the basis of religion. However, the Secretary of State may waive the requirement on a country by country basis for up to 1 year on certification to the Congress that it is in the national interest and is necessary to carry on diplomatic functions of the United States.[84] A similar provision applicable to the U.S. Department of Defense contracts was enacted in the National Defense Authorization Act for Fiscal Year 1993.[85]

The Foreign Operations, Export Financing, and Related Programs Appropriations Act, 1994, which sets forth Congressional policy on terminating the Arab League Boycott of Israel, directs the President, when determining whether to sell weapons to a country, to consider the participation of the country in the primary boycott of Israel and the secondary and tertiary boycotts of American firms that have commercial relations with Israel.[86] The act also directs the President to encourage U.S. allies and trading partners to enact laws prohibiting businesses from complying with the boycott and penalizing businesses that do comply.[87]

Foreign Antiboycott Laws

At least three European Union countries, France, Germany, and the Netherlands, have enacted laws making cooperation with unsanctioned boycotts unlawful.[88] None of these laws, however, is as detailed as or contains reporting requirements similar to those in U.S. law, and none of these countries is believed to maintain a regulatory apparatus for enforcing these laws or to have prosecuted any person for violating them.[89] The Japanese Government has stated that it opposes the Arab boycott, but has also indicated that it lacks the authority to prohibit Japanese firms from complying with the Arab boycott.[90]

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[78] Internal Revenue Service, *The Operation and Effect of the International Boycott Provisions of the Internal Revenue Code, Sixth Report*, Dec. 1993, p. 10.

[79] Guidelines were published in the *Federal Register* of Jan. 25, 1978 (43 F.R. 3454), Nov. 19, 1979 (44 F.R. 66272), Apr. 26, 1984 (49 F.R. 18061), and July 2, 1987 (52 F.R. 25118).

[80] Public Law 102-138.

[81] Ibid., 103-236 (Apr. 30, 1994), 108 Stat. 382.

[82] Sec. 563, P.L. 103-236; 108 Stat. 484.

[83] Ibid., sec. 564, 108 Stat. 484.

[84] Ibid., sec. 565.

[85] Public Law 102-484, sec. 1332 (Oct. 23, 1992), 106 Stat. 2555; codified at 10 U.S.C. 2410i.

[86] Public Law 103-87, sec. 550(b)(2)(B), (Sept. 30, 1993), 107 Stat. 931.

[87] Ibid., sec. 550(b)(2)(D).

[88] Another source indicates that Belgium and Luxembourg have also enacted laws that make cooperation with boycotts unlawful. See C. Mark, "The Arab Boycott of Israel," *CRS Report for Congress*, 92-802 F, Nov. 10, 1992, p. 6.

[89] Commerce Department officials, interviews by USITC staff, Sept. 19, 1994, and Sept. 20, 1994.

[90] Mark, "The Arab Boycott of Israel."

CHAPTER 3
Economic Effects of the Boycott on U.S. Businesses

Introduction

Based on questionnaire responses from a sample of U.S. firms doing business with Israel and boycotting countries, the Commission estimates that U.S. firms as a whole lost approximately $410 million in export sales to the boycotting countries and Israel in 1993 as a result of the Arab League boycott of Israel. In addition, the Commission estimates that the total cost to U.S. firms for compliance with U.S. antiboycott laws was approximately $160 million in 1993.[91] (For a detailed explanation of the methodology used to determine the estimates, see appendix C.)

The Commission sent questionnaires to a wide variety of U.S. companies drawn from three databases: (1) U.S. Department of Commerce, Bureau of Census file of exporters, (2) U.S. Department of Commerce, Office of Antiboycott Compliance (OAC) file of firms making inquiries to the OAC regarding antiboycott regulations, and (3) a file of large service providers purchased by the Commission from Dun & Bradstreet. Questionnaire recipients were selected from the three databases to ensure that the broadest possible coverage of U.S. firms that may be affected by the boycott were included in the aggregate questionnaire sampling group.

Firms were asked to provide data on the effect of the boycott on sales, costs (transportation, legal, and administrative), profits, and investment. In addition, respondents were asked to provide data on which prohibitions, inquiries, or other requirements boycotting countries may have imposed on the firm to force compliance with the boycott. Respondents were also asked to provide general information about their firm including the value of sales in the United States, export sales, and worldwide investments. Where appropriate, comments by individual questionnaire respondents are included in the summary of questionnaire results explained below.

Generally, questionnaire respondents from all three sampling groups indicated that the Arab League boycott of Israel affected them in two ways: through the direct effects of the boycott itself, and indirectly through the requirements of U.S. antiboycott compliance laws. Respondents further indicated that the effects of the boycott are both quantifiable and non-quantifiable. Some reporting firms were able to quantify the effect of the boycott on sales. However, respondents were better able to quantify the costs to their firm of U.S. antiboycott compliance laws rather than other costs associated with the Arab League's boycott. Most questionnaire respondents were unable to quantify the effect of the boycott on their profits, transportation costs, and investment decisions, or indicated a minimal effect of the boycott in these areas.

The following sections of this chapter present the Commission's estimates of the economic effects of the boycott, followed by a summary of aggregate questionnaire results. The estimated effects are presented for sales lost by U.S. firms because of the boycott and for the cost of compliance with U.S. antiboycott law. These estimates are based on a random sample of firms from the Census file that export to the boycotting countries and to Israel. Questionnaire responses provided insufficient data to estimate the economy-wide effect of the boycott on transportation costs, profits, and planned investment in the region. Therefore, the results for these factors are reported in the aggregate only. The summary of aggregate questionnaire results is based on

[91] Estimated lost sales in 1993 amounted to 2.4 percent of U.S. exports to the affected region (Israel and the boycotting countries), and 0.1 percent of total U.S. merchandise exports. Estimated compliance costs amounted to 0.5 percent of total two-way merchandise trade with the region.

questionnaire responses from all firms sampled by the Commission.

Estimated Economic Effects of the Boycott

As mentioned above, the Commission estimates that U.S. businesses lost approximately $410 million in export sales to the boycotting countries and Israel in 1993. Estimated total costs of compliance with U.S. antiboycott compliance laws for the same firms were about $160 million in 1993. Respondents were also requested to provide information on the effects of the boycott on profits, transportation costs, and investment. The data provided by respondents for these areas were insufficient to project to an economy-wide level. Questionnaire responses indicated that firms were either unable to quantify the effect of the boycott on profits, transportation costs, and investment, or the boycott had a minimal effect in these areas.

The estimates of lost sales of $410 million and compliance costs of $160 million are based on questionnaire results from the Census sample of 1,020 firms that reported exports to boycotting countries and Israel in 1993.[92] These firms accounted for 20.8 percent of total U.S. exports to the Middle East. Approximately 4,900 U.S. firms are estimated to export to the region.[93] The estimate of the boycott's effects on U.S. businesses is based on the hypothesis that the survey results most relevant for estimating costs are only from surveyed firms that do business in the region. For firms that do not do business in the boycotting countries, it is expected that they will neither face discernible costs from U.S. antiboycott compliance laws nor will they lose sales because of the boycott.[94] Projection of data on lost sales or cost of antiboycott compliance based on questionnaire responses from firms that do not do business in the region would not provide meaningful results concerning the effect of the boycott.

[92] None of the U.S. service sector exporters that were drawn from the Dun & Bradstreet sample reported any lost sales for 1992 or 1993.

[93] Estimated number of firms was derived by multiplying the reciprocal of 20.8 percent (4.81) by 1,020. This yields an estimated total number of 4,904 firms that do business with the region.

[94] Firms that do not do business in the region could lose sales to U.S. or other customers because of the tertiary level of boycott enforcement. No firm reported such lost sales data in their questionnaire response, however.

Estimated Lost Sales

Of the 137 surveyed firms from the Census sample that exported to the region in 1993, 56 firms reported data for lost sales. Based on lost sales data provided by firms that exported to boycotting countries and Israel, the Commission estimates that in 1993, U.S. businesses experienced total lost sales because of the boycott of approximately $410 million. This projection is based on estimated lost sales reported by firms that actually exported to boycotting countries in 1993. To the extent that the boycott caused a deterrent effect on the willingness of companies to pursue export sales with boycotting countries, this is a conservative estimate because it does not capture the deterrent effect on trade caused by the boycott. Lost sales to boycotting countries caused by the boycott may be higher than this estimate and would have to reflect estimated lost sales for firms without a prior history of exports to the region and without sales to boycotting countries in 1993. However, it should be noted that the exporter-based Census sample used in this investigation did not capture firms that diverted sales to other countries in place of export sales to the boycotting countries.

To the extent firms reporting lost sales were able to redirect the sale lost in boycotting countries or Israel to other customers, the firm may not have experienced a net economic loss because of the boycott. Followup telephone interviews to companies that reported lost sales in the questionnaire indicate that some firms may have been able to redirect their sales to other export or domestic markets. This redirection of sales implies that the loss of sales reported may not represent a loss to the U.S. economy, dollar for dollar. If a U.S. firm loses the sale and another U.S. firm gains it, economic accounts do not indicate a net loss to the national economy. However, if foreign producers gain the export opportunities lost because of the boycott, lost sales affect national economic performance by reducing exports.

Sales lost as a result of the boycott may distort domestic economic relations by obstructing free competition, by reallocating production orders to less efficient producers, and by imposing extra costs on companies. Firms that reported lost sales indicated that they are often unable to determine the extent to which their new sales constitute a redirection of sales lost in the boycotting countries. In addition, the costs of developing new markets often cannot be distinguished from the costs of redirection, hence precluding the estimation of such effects related to the boycott.

Aggregate questionnaire results related to lost sales

The following is a summary of comments provided by questionnaire respondents about lost sales. Whereas the estimate of the economic effect of the boycott on lost sales described above relied on questionnaire responses in the Census sample group, the comments in this section are from respondents in all three sample groups.[95]

Many respondents indicated that the boycott imposed a deterrent effect on their marketing efforts to the boycotting countries. In particular, respondents noted foregone potential sales because of the boycott, and their inability to quantify the effect of the boycott on such losses.

Loss of Potential Sales in Boycotting Countries

Several respondents described the effect of the boycott on their firm's potential sales in the region. The parent firm of producers of a wide variety of brand-name clothing, for example, noted that all of its subsidiaries—

> *. . . are at risk to having potential export shipments seized by boycotting countries. Thus we are very reluctant to expand our export efforts into boycotting countries. . . . We have received valuable export inquiries on our brands but are precluded from supplying by the licensor as they are on the boycott list. This has amounted to considerable potential lost business.*

A major manufacturer of glass and optical products said—

> *. . . no questionnaire can adequately pinpoint the amount of time expended by a company's employees, nor the dollars lost by abandoned transactions. A blacklisted company loses transactions before they can even be quantified into lost sales figures. [Company name], unfortunately, has lost business, and the opportunity to create jobs, due to the confines of the Arab boycott of Israel.*

A small producer of medical products that said it expanded product distribution in Arab countries in 1992 and 1993, added that—

> *. . . probably the most serious effect of the boycott or other Arab-Israeli tension is in the lost opportunity costs of not having open export operations or distribution relationships with several of the Arab states.*

A manufacturer of pumps and water systems said that their failure to participate in government tenders because of U.S. antiboycott compliance laws caused a "loss of potential business" of $2.5 million per year. The company added that during 1992-93, "boycotting countries were not imposing the boycott requirements very much. In the past the biggest problem was the non-participation (prequalification) of our companies in major government tenders or projects due to boycott requirements."

Non-Quantifiable Effects

Several firms reported that they were negatively affected by the boycott but could not quantify its effect. A major producer of aerospace and defense products said that it "may have lost sales or commercial opportunities." A construction firm said it had "no easily quantifiable effects of the boycott." A petrochemical manufacturer reported it "is not possible to estimate the cost or impact on loss of competitiveness . . . [of] delays in processing documents" because of the boycott. A dental and pharmaceutical products supplier said "yes, we were negatively affected but this is difficult to quantify."

Estimated Cost of Compliance With U.S. Antiboycott Laws

All U.S. firms that do business in boycotting countries potentially face costs of compliance with U.S. antiboycott compliance law. For example, if boycott-related requirements or wording appear in transaction or other documents involving a U.S. firm, that firm may be required to refuse to agree to the provisions and be required to report the incident to the U.S. Department of Commerce.[96] Firms arranging export sales to, or import deliveries from, boycotting countries may face boycott-related provisions in

[95] These comments are from the aggregate questionnaire respondents which were selected from the Census, Dun & Bradstreet, and OAC databases. For a discussion of the sampling databases, see the methodology section in appendix C.

[96] For a discussion of U.S. antiboycott compliance laws, see chapter 2.

transaction documents at virtually any stage of a transaction. Hence, both exporters and importers may face antiboycott compliance-related costs.[97] To ensure compliance with U.S. antiboycott compliance law, 41 percent of questionnaire respondents indicated that they have established an antiboycott compliance program.

Of the 137 surveyed firms that export to the region, 39 firms reported data for compliance costs. Based on costs of compliance reported in questionnaire responses, and projecting costs to the national level, the Commission estimates that in 1993, the total cost of compliance was approximately $160 million.

Some questionnaire respondents indicated that they were unable to quantify the cost of implementing U.S. antiboycott compliance laws. For example, several major firms from a variety of industrial sectors reported that the cost of compliance with U.S. antiboycott laws was either "virtually impossible" to quantify because such costs were absorbed internally or were negligible. In reference to the cost of compliance with U.S. antiboycott compliance law, a major producer of industrial pumps and drilling equipment said—

> *. . . every contract administration at each exporting factory spends time ensuring that the company does not violate the [U.S. Department of] Commerce rules to participate in the boycott . . . it is non-value added time difficult to measure in pure dollars.*

Summary of Aggregate Questionnaire Responses

The following is a summary of questionnaire data provided by all questionnaire respondents. As described in the preceding section, these firms were selected from the Bureau of Census, Dun & Bradstreet, and OAC databases. Most questionnaire respondents from all three sampling groups indicated that the Arab League boycott of Israel affected their firm in two ways—through the direct effects of the boycott itself and indirectly through the requirements of U.S. antiboycott compliance laws.

Firms reported both quantifiable and non-quantifiable effects of the boycott. Many respondents were able to quantify the cost to their firm of U.S. antiboycott compliance laws. Some firms were also able to quantify the effect of the boycott on their sales. However, most questionnaire respondents were either unable to quantify the effect of the boycott on profits, transportation costs, and investment, or indicated a minimal effect of the boycott in those three areas. The following sections summarize general information about questionnaire respondents and the reported effects of the boycott and antiboycott activities on U.S. businesses.

General Information

Questionnaire respondents were asked to provide general information about their firm and any economic effects their company might have experienced because of the Arab League boycott of Israel.[98] A summary of the general information reported by all questionnaire respondents appears in table 2. This information includes the value of sales in the United States, export sales, and worldwide investments. Information on the primary type of business reported by respondents appears in table 3. Firms were also asked to assess the effects of the boycott on their sales, costs (transportation, legal, and administrative), profits, and investment. In addition, respondents were asked to provide data on which prohibitions, inquiries, or other requirements boycotting countries may have imposed on the firm to force compliance with the boycott. Finally, the respondents were asked to describe any additional effects the boycott may have had on their firm's operations.

As shown in table 2, total U.S. sales reported by all respondents increased slightly from $567.1 billion in 1992 to $597.4 billion in 1993. Export sales of respondents remained constant at $165.8 billion in 1992 and $165.2 billion in 1993. Earnings reported for the sale of services increased by 22 percent, from $27.4 billion in 1992 to $33.5 billion in 1993. Machinery and transportation equipment, chemicals and related products, and other goods were the leading product categories of shipments reported by respondents in both years.

Questionnaire respondents were asked to provide data on their worldwide gross investment for each year, including investment in boycotting countries and

[97] The sample data in the Census sample were drawn on exports reported by firm. The file contained export data for both exporters and importers. Therefore, it is likely that the estimate of antiboycott compliance costs captured by questionnaire responses reflects compliance costs incurred by sampled firms that export to and/or import from boycotting countries.

[98] A copy of the questionnaire appears in appendix C.

Table 2
Total U.S. and export sales, investments, type of shipments, and earnings reported for the provision of services, 1992-93

(1,000 dollars)

	1992	1993
United States	567,098,476	597,390,020
Export sales	165,820,433	165,198,294
Total sales		
Worldwide gross investments:		
Domestic	310,857,897	298,610,721
Foreign:		
In boycotting countries	467,897	768,456
In Israel	482,812	546,228
Total foreign	64,872,241	68,214,279
Total shipments reported by respondents:		
Animal and vegetable products	4,466,555	3,087,123
Wood and paper, printed matter	3,836,771	3,545,242
Textile fibers and textile products	620,515	579,666
Chemicals and related products	7,028,482	7,024,710
Nonmetallic minerals and products	2,769,056	2,728,130
Metals and metal products	1,129,438	1,104,549
Weapons and military equipment	1,497,007	1,182,414
Machinery and transportation equipment	28,040,179	25,720,520
All other	45,030,407	49,260,292
Earnings reported for the sale of services	27,427,492	33,498,542

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table 3
Primary business of reporting firms

Category	Number
Manufacturing, agriculture, and mining	
Manufacturing	186
Agriculture, forestry, and fishing	7
Mining	5
Services	
Wholesale trade	53
Retail trade	13
Construction	6
Transportation, communications, electric, gas, and sanitary services	5
Finance, insurance, real estate	4
Other services	48

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Israel. For 1992, respondents reported gross domestic investment of $310.8 billion and foreign gross investment of $65.0 billion. In 1992, respondents reported relatively similar levels of total investment in boycotting countries and Israel, of $468.0 million and $483.0 million, respectively. In 1993, however, respondents reported total investment of $546.2 million, an increase of 13 percent. Total investment reported in boycotting countries was $768.5 million in 1993.

Respondents were asked to indicate the primary business of the reporting firm. (This information is summarized in table 3.) The majority of firms indicated that their primary business activity is manufacturing. In the service sector, wholesale trade and other services were the leading categories of respondent firms. Since some respondents indicated that their firm's primary business activity was in more than one of the indicated areas, the number of total responses to this question exceeds the number of questionnaire respondents.

Effects of the Boycott on U.S. Businesses

The following section summarizes questionnaire results about the effects of the boycott on sales, costs, profits, and investment. This section also summarizes the methods reported by respondents that boycotting countries use to force compliance with the boycott. Finally, questionnaire responses by U.S. firms about their blacklist status are reported.

Effect of the Boycott on Sales

Respondents were asked to provide data in several areas relating to sales in 1992 and 1993. First, respondents were asked if they lost sales to customers in boycotting countries because of the boycott. Second, in order to quantify the effects of implementation of the tertiary level of the boycott, firms were asked if they lost sales to any customer in the United States because of the boycott. Firms that indicated they did lose sales in either instance were asked to estimate the dollar value of any such lost sales. Finally, firms were asked if concerns about the boycott prevented them from pursuing sales efforts in Israel or in the boycotting countries.

Lost Sales in Boycotting Countries

Four percent of respondents reported that they lost sales because of the boycott, while 66 percent of respondents reported that they did not. Thirty percent of respondents replied that they did not know whether their firms lost sales because of the boycott.

Some of the firms reporting that they may have lost sales because of the boycott, could not quantify the dollar value of such lost sales. For example, a major producer of glass and optical products said that it could not estimate its lost sales because it "could not quantify abandoned orders." In a similar vein, a chemical producer tried to quantify lost sales because of the boycott by basing its estimate ($10,000 per year) on "tenders or solicitations for bids not pursued from Arab countries participating in the boycott." A major financial services firm said that it had not lost sales "to our knowledge; but to the extent any sales were lost without our knowledge, they were likely not of a meaningful amount." A manufacturer of agricultural and construction equipment said that "it is impossible to identify specific sales lost due to the boycott."

Other firms said the boycott imposes costs on U.S. firms that hinder their competitiveness with other foreign suppliers in boycotting countries. A supplier of oil and gas field equipment reported that it lost sales—

> *. . . due to difficulty in competing with local competition in boycotting countries on low revenue contracts because customers do not wish to make changes in low value contracts to allow us to comply with U.S. law. Value not available because no record maintained of such lost sales.*

Firms that sell through distributors or other entities had the most difficulty estimating the effect of the boycott. For example, a manufacturer of integrated circuits, which mainly sells to computer manufacturers, said that—

> *. . . from our market perspective, it is impossible to determine the impact that the boycott may have had on our revenues and profits, as it is a function of the number of systems that our customers sell. Given the size of the market represented, we doubt that any effect would be significant.*

Lost Sales in the United States

To measure the effect of the tertiary boycott, respondents were asked to provide data on lost sales to U.S. customers because of the boycott.[99] Less than one percent of respondents (one firm) reported lost sales in the United States. The firm reporting the lost sale in the United States was unable to provide a dollar amount of the sale. The firm reported that it lost direct and indirect sales because of the boycott and because of a U.S. Government investigation into the company's adherence to U.S. antiboycott laws. (As a result of the investigation, the company faced a consent agreement, plea agreement, fines, and suspension of export privileges.) Another 70 percent of respondents said they did not lose such sales, and 29 percent said they did not know whether their firm lost sales to U.S. customers because of the boycott.

Deterrent Effect of the Boycott on Marketing Efforts in Israel or Boycotting Countries

Respondents were asked if concern about the Arab League boycott of Israel prevented their firm from seeking sales in boycotting countries or in Israel. For 1992, 2 percent said that such concerns had prevented them from seeking sales, and 98 percent reported that such concerns had not prevented marketing efforts. For 1993, these figures were 3 percent and 97 percent, respectively.

Several firms in explaining how their concerns about the boycott prevented sales efforts in the Middle East region, cited their blacklisting, concern about confiscation of goods, or likely boycott difficulties because of business activities in Israel as concerns that prevented sales efforts in boycotting countries. A manufacturer of designer clothing and footwear reported that its sales agent in the region wanted to terminate their relationship because of the boycott issue. A small producer of medical products said it was reluctant "to incur the expense of setting up distributors in some Arab states due to our significant sales in Israel." A major manufacturer of glass and optical products reported—

[99] The tertiary aspect of the boycott targets companies that do business with other companies that do business with Israel. In this way, the tertiary aspect extends the boycott to firms that do business with blacklisted firms.

The parent company is blacklisted in Kuwait, Syria, and Saudi Arabia. Because of this, [company name] has routinely avoided U.S. shipments to these countries unless selling to a U.S. distributor on a third party basis. [The company] believed that this practice could prevent the confiscation of goods.

A semiconductor manufacturer reported—

Although sales were made [in boycotting countries], our distributor in Saudi Arabia discouraged an advertising campaign. We were advised to keep the [company] name out of the spotlight.

Effect of the Boycott on Transportation and Other Costs

Respondents were asked to provide data on costs incurred by the firm because of the boycott. The following section summarizes responses about the effect of the boycott on transportation costs as well as delays and costs caused by the boycott.

Transportation Costs

To estimate the effect of boycott-related requirements that vessels calling at Israeli ports not be allowed to call at ports in member countries in the Arab League, respondents were asked if the boycott affected their cost of transporting goods or services to Israel or boycotting countries.

Transportation costs to Israel.—For 1992, 1 percent of respondents said the boycott had increased delivery costs to Israel and 99 percent said it had not. For 1993, 2 percent of respondents said the boycott had increased delivery costs to Israel and 98 percent said it had not.

Transportation costs to boycotting countries.—For both years, 2 percent reported that the boycott had increased delivery costs to boycotting countries and 98 percent reported that it had not.

As an example of increased transportation costs imposed by boycott requirements, a manufacturer of pumps and water systems said that the firm faced extra shipping costs of $20,000 per year. This cost was incurred, the firm reported, because boycotting countries "do not allow vessels calling on Israeli ports to be used" for shipping goods to Arab League countries.

Delays and costs caused by the boycott

Several firms provided detailed comments about various delays and costs to doing business in boycotting countries caused by the boycott. These delays and costs included obtaining multiple passports for employees travelling to both boycotting countries and Israel, experiencing entry refusal and other difficulties importing into boycotting countries, and changing boycott-related language in letters of credit and other documents to comply with U.S. law.

In reference to costs imposed by the boycott, two firms reported "minimal" costs of providing two passports for employees traveling both to Israel and boycotting countries (one for travel to Israel and one for travel to boycotting countries). In its comments, a semiconductor manufacturer repeated the difficulties that it had reported in its questionnaire response. It said that the company experienced "entry refusal in Saudi Arabia, difficulty in obtaining certificates of origin, customs delays, and import licensing requirements."

Many companies said the boycott caused additional costs and delays to transactions because of the need to deal with boycott-related language in tenders, contracts, letters of credit, shipping documents, and so forth in order to comply with U.S. antiboycott compliance laws. The comments of a health care and pharmaceutical products firm echoed views expressed by many other firms about such delays and costs—

We have experienced difficulties of the following kinds: transactions have been delayed while we negotiated deletion of prohibited requests from documents, bank fees are increased when documents must be reissued due to deletion of boycott requests in letters of credit, search for and deletion of boycott requests requires administrative time and adds the corresponding cost to the transactions.

Firms that attempted to estimate the cost of bank fees and other additional transaction costs said that the costs varied from a few hundred to a few thousand dollars per year. Other firms said it was difficult to quantify boycott-related costs. For example, a major financial services provider reported—

. . . indirectly the Arab Boycott likely impacted the costs for everybody, including consumers, of doing business in the Middle East. Also, all things being equal, the boycott likely negatively impacted business volumes for all companies.

Finally, a manufacturer of agricultural and construction equipment tied boycott-related delays and costs to the possibility of lost sales—

> *Difficulties in arranging bid guarantees which comply with U.S. antiboycott law, but which still meet customer requirements can lead to increased costs and lost sales (especially in Syria). Amendments to letters of credit can involve bank fees; delays can lead to inventory costs for additional delays. Finally, delays in arranging L/C terms can lead to late tenders and, therefore, possibly lost sales, possibly 7 to 8 over the two year period totaling $500,000 to $1,000,000. However it is impossible to identify any sale as having been lost due to the boycott.*

Effect of the Boycott on Profits

Firms were asked if the costs associated with the Arab League boycott of Israel had an overall effect on the firm's profits in 1992 and 1993. For 1992, 6 percent reported that costs of the boycott did affect their profits, 81 percent said the boycott did not affect profits, and 14 percent said they did not know if the boycott affected profits. For 1993, 5 percent said the boycott affected profits, 82 percent said the boycott did not affect profits, and 13 percent said they did not know if the boycott affected profits.[100]

Effect of the boycott on Investment Activity

Firms were asked to indicate how the Arab League boycott of Israel may have affected the firm's overall plans for investment in Israel or boycotting countries. Additionally, respondents were asked to rate which concerns are most important to the firm's investment decisions in Israel or any boycotting country. Responses indicate that the Arab League boycott of Israel has little effect on investment decisions by U.S. firms either in Israel or boycotting countries.

Effect of the Boycott on Plans for Investment in Israel or Boycotting Countries

One percent of respondents reported that their firm's investment plans for Israel were altered because of concerns about the boycott. These companies did not, however, provide a dollar value for the investment plans postponed. Another 99 percent of respondents said the boycott had no effect on overall plans for investment in Israel. Regarding overall investment plans for boycotting countries, 99 percent of respondents said the boycott did not their affect investment plans, while 1 percent said that the boycott caused their firm to cancel planned investment in a boycotting country.

Major Determinants of Investment Decisions in Israel or Boycotting Countries

The Commission asked firms to rank which concerns were the most important to the firm's investment decisions in Israel or any boycotting country. Firms were asked to rank the following concerns in order of importance from 1 to 5 (1 = most important; 5 = least important). The following tabulation presents the average ranking of responses:

Concern	Average rank	Total number
Economic viability of the project	1.2	173
Political risk	2.8	167
Economic uncertainty in the region	2.3	167
Arab League Boycott of Israel	4.3	142
Other	3.8	48

As shown in the tabulation, firms ranked economic viability of the project, political risk, and economic uncertainty in the region as more important determinants of investment decisions than the Arab League boycott of Israel. A major producer of automobiles said, for example, that the boycott was "not important" in determining company investment decisions.

Several firms provided comments about factors other than the boycott that determine investment plans in the region. These factors include: strength of local intellectual property rights protection, European competition, local customs, market potential or business opportunities, strength of local customer in marketplace, clients's needs, expatriation of profits, and distance.

Methods boycotting countries use to force compliance with the Arab League boycott of Israel

The Commission asked respondents to indicate which prohibitions, inquiries, or other requirements boycotting countries may have imposed on the firms

[100] Data provided regarding effect of the boycott on profits were insufficient to project to a national level.

to force compliance with the Arab League boycott of Israel. Respondents were also asked if they had ever been informed of their firm's blacklist status.

The experience with boycott enforcement reported by respondents suggests that firms faced more efforts by boycotting countries to enforce the boycott through transaction documents than by the other methods cited. In particular, firms reported that boycotting countries tried to enforce the boycott through use of boycott-related language in shipping documents, letters of credit, contract conditions, and tenders or purchase orders, rather than by the use of boycott questionnaires about the firms' business ties with Israel, customs refusal of goods on entry, or discriminatory inquiries about individuals associated with the firms.

Regarding blacklist status of firms, few respondents indicated that they had been informed of their firm's status on the Arab League's blacklist. Some respondents reported, however, that the blacklisting of firms with similar names caused difficulties in attempting to do business in boycotting countries.

Boycott requirements.—Firms were asked which of the following were imposed on them in 1992 and 1993:

- Customs prohibitions on exporting to boycotting countries because of blacklisting of the firm, or suppliers by any boycotting authority;

- Questionnaires from the Central Boycott Office or other authorities in boycotting countries inquiring about the nature and extent of the firm's business relations with Israel or Israeli persons or firms, or with blacklisted persons or firms;

- Contract conditions specifying that the firm cannot have or undertake commercial dealing with Israel, or with blacklisted persons or firms;

- Terms in letters of credit that require proof of boycott compliance;

- Shipping documents, including certificates of origin, commercial invoices, bills of lading, insurance certificates, German reparations certificates, or airway bills that require declaration that merchandise being shipped is not of Israeli origin, does not contain Israeli components, or originate from blacklisted firms;

- Invitations to bid on capital projects that requested certification of compliance with the Arab League boycott of Israel that the firm's goods are not of Israeli origin or do not contain Israeli components and that goods are not produced by blacklisted firms and that the firm and its affiliates are not blacklisted;

- Requirements to certify whether the firm is owned by or employs "Zionist" persons or has "Zionist" members on its Board of Directors.

Responses to the above question are summarized in the following tabulation:

	Yes	No
	(percent)	
Customs prohibitions		
1992	3	97
1993	3	97
Boycott questionnaires		
1992	3	97
1993	3	97
Contract conditions		
1992	15	85
1993	14	86
Letters of credit		
1992	19	81
1993	21	79
Shipping documents		
1992	24	76
1993	26	74
Tenders and purchase orders		
1992	13	87
1993	13	87
Discriminatory requirements		
1992	1	99
1993	1	99

In commenting on the various boycott requirements that boycotting countries may have imposed to force compliance with the Arab League boycott of Israel, an aerospace firm echoed the comments made by several other companies—

> *In each case during 1992 and 1993 where we encountered such prohibitions, contract provisions or restrictions, compliance with which would be prohibited by U.S. laws (collectively "restrictions"), we refused to accept or conduct business under such restrictions by requiring that such restrictions be deleted from the relevant document or agreement.*

An engineering firm said—

> . . . *the language of the invitations to bid was not so specific—generally stipulating*

that the selected bidder would be required to comply with the laws, regulations, and/or business practices of the country.

In reference to contracts, letters of credit, or shipping documents that may contain boycott-related language, a medical equipment manufacturer said—

. . . we were never asked to comply with an anti-Israel provision, due to the fact that we automatically and immediately rejected any order or other document containing such an anti-Israel provision.

Blacklist status.—Respondents were asked if they had ever been informed by another U.S. firm or entity, or by an authority in a boycotting country or elsewhere, that their firm is— or has ever been on —a list of blacklisted firms as a result of the Arab League boycott of Israel. A total of 17 firms said they had been informed of their blacklist status, and 245 said they had not been so advised. Two firms reported that their blacklisting was a case of mistaken identity. These firms said the blacklisted entities were in fact unrelated firms with names similar to their own. A software producer said that efforts in 1992 to blacklist the company—

. . . were initiated by a disgruntled business rival, and that the matter ended without notable impact on us as a result of diplomatic efforts undertaken by U.S. Government personnel. The same firm made considerable efforts to damage [company name] in the public press in the Middle East. Beyond an isolated shipment delay, we did not observe any concrete consequences from the reported blacklisting in any Arab League nation.

A few firms said that mistaken identity prevented their firm from doing business in boycotting countries. For example, a major manufacturer of glass and optical products said it was blacklisted in 1988 because of mistaken identity. The company thereafter stopped selling directly to Kuwait, Saudi Arabia, and Syria "to reduce the danger of confiscation of goods and to reduce the possibility of relationship questions which would most likely occur if pursuing such transactions." The company added that some sales to those countries did subsequently occur, but only by means of selling to a foreign buyer who "had a residence here in the United States and bought merchandise as a resident of the United States." The company concluded that "in most of the initial sales inquiries that were linked to relationship questions, the transactions were abandoned and resulted in probable lost sales, which cannot be quantified." Also, an elevator manufacturer said that it is not aware of its current blacklist status, but in 1989 a firm with a similar name was on the blacklist.

Effect of U.S. Antiboycott Activities on U.S. Businesses

In their questionnaire responses, respondents indicated that antiboycott activities affect their firm in several ways. As mentioned earlier in this chapter, the most widely reported antiboycott activity was compliance with U.S. antiboycott laws. To determine if the boycott or U.S. antiboycott laws imposed a deterrent effect on sales efforts, firms were asked if concerns about U.S. antiboycott laws prevented them from pursuing sales efforts in any boycotting country. Regarding the effect of the antiboycott activities on profits, a few firms said their profits were reduced by an amount equal to costs of compliance with U.S. law. Other antiboycott activities reported by U.S. firms include refraining from seeking business in Arab League countries, using foreign subsidiaries or distributors to sell in the region, seeking exemption from boycott requirements. Other firms reported that business activities in the region were complicated by multiple U.S. antiboycott laws.

Compliance with U.S. antiboycott law

Firms were asked to estimate their total costs, direct and indirect, associated with compliance with U.S. antiboycott compliance laws, including any annualized portion of the cost of setting up a formal program (training, documentation, checklist, and so forth) to ensure compliance with U.S. law. For both years, 50 percent of firms reported data for cost of antiboycott compliance. For 1993, 132 firms reported data for cost of antiboycott compliance.

Forty-one percent of respondents reported establishing a formal antiboycott compliance program to handle boycott-related requests or to comply with U.S. Federal reporting requirements. Another 59 percent of respondents reported they had not established such a program. Of those firms that established antiboycott compliance programs, many reported that they had established the programs by the late 1970s or early 1980s.

Several of the major U.S. businesses that trade with boycotting countries provided details of the main elements of their antiboycott compliance programs.

Such a program typically includes employee training on boycott-related language to look for in transaction documents, distribution of manuals providing details of documentation on acceptable substitutes to offer to boycott-related language, distribution of news about changes in U.S. antiboycott requirements, and explanations of U.S. antiboycott compliance laws to provide to customers in Arab League countries. Some firms pointed out that personnel changes and corporate acquisitions complicate determining which employees need antiboycott compliance instruction. An oil and tool equipment manufacturer, for example, provided a typical description of an antiboycott compliance program instituted by a major corporation—

> *[Company name] has a written antiboycott policy and procedures statement that is circulated throughout the organization. The procedures statement includes many of the most common examples of prohibited requests and language to give guidance to field personnel responsible for reviewing requests for quotation, contracts, letters of credit, correspondence, etc. One or more persons in each location is responsible for reviewing all such documents. In-house training sessions are held from time to time to increase awareness and knowledge. The Legal Department is available to answer all questions regarding questionable language or requests. To simplify responses, acceptable language has been drafted by the Legal Department for field personnel to submit in the place of unacceptable language, which is reflected and deleted.*

In a similar vein, a manufacturer of industrial machinery linked its antiboycott compliance activities to the effect of the boycott on the firm—

> *. . . [the] boycott has had minimal direct effect on our business. While we have received some purchase orders and letters of credit with boycott-type statements, [company] relies on its own commercial terms and conditions and has modified the letter of credit or purchase order to remove these boycott-type statements. We have not encountered resistance or loss of business due to such efforts.*

Other companies reported that they do not address boycott-related issues through a formal antiboycott compliance program, but rather do so by maintaining general awareness of boycott issues and handle them on a case-by—case basis. A builder of water cooling towers said—

> *. . . by proper recognition of requests and maintaining reporting guidelines consistent with U.S. laws, we did not lose any business. Many requests leave options which facilitate business and do not prohibit transactions by U.S. law. Our complete understanding of the rules and regulations has been critical.*

Deterrent Effect of U.S. Antiboycott Compliance Laws on Sales Efforts to Boycotting Countries

Respondents were asked if concerns about U.S. antiboycott compliance laws prevented their firm from pursuing sales efforts in any boycotting country. For both 1992 and 1993, 4 percent of respondents said concerns about complying with U.S. law had prevented sales efforts, while 96 percent said such concerns had not prevented sales efforts.

Firms were asked to explain their concerns about U.S. antiboycott compliance law. A semiconductor manufacturer said that "a number of sales leads were abandoned when boycott-related issues were introduced and we were required to withdraw from deals to comply with antiboycott regulations." A machinery and transportation equipment manufacturer reported—

> *. . . our firm will not sell to any country that asks us to not do business with anyone . . . Arab countries generally asked this and we will not honor that.*

A major producer of processed foods noted—

> *[the company's] commitment to complete compliance with U.S. antiboycott compliance law has resulted in a decision to not solicit business in certain countries where there is a high likelihood of receiving trading documents which contain boycott requests.*

A manufacturer of oilfield supplies said that concerns about both the boycott and U.S. antiboycott law inhibited its sales efforts in the region—

> *In certain cases, we know we will have to decline tenders containing requests prohibited by applicable U.S. laws and regulations.*

Effects of U.S. antiboycott compliance laws on profits

Nearly a dozen firms reported a decrease in corporate profits by an amount equal to the costs of compliance with U.S. antiboycott laws. For example, a manufacturer of agricultural and construction machinery said that "legal costs to ensure compliance with U.S. antiboycott laws have a dollar-for-dollar impact on profit." Other firms made comments similar to those of a major manufacturer of commercial aircraft that reported "costs of complying with administrative reporting requirements were considered not material to consolidated earnings." A major producer of glass and optical products estimated costs of antiboycott compliance at $100,000 to $200,000 per year and added that those costs had no "material effect" on profits.

Other Antiboycott activities of U.S. firms

Efforts reported by respondents to deal with the boycott other than through an established antiboycott compliance program include choosing not to do business in Arab League countries, selling through foreign subsidiaries or distributors, or seeking exemptions to boycott requirements.

Several companies said they have minimized business ties with Arab countries as a result of the boycott. For example, a paper products company reported that its staff has—

> *. . . endeavored to maximize our business with Israel and have avoided business with countries who attempt to interfere with Israeli business. All of our business to Arab countries is done by letter of credit. The U.S. banks will screen letters of credit for boycott language before advising the letters of credit to us.*

A major food processor said that the company "has elected not to solicit business in [boycotting] countries in order to ensure compliance with U.S. antiboycott compliance laws." Another paper products manufacturer said that it minimizes transactions with boycotting countries.

Other companies said that they use foreign subsidiaries or distributors to sell in Arab countries. An electronics manufacturer said its "Arab sales [were] channeled through [our] U.K. operation, which was not aggressively pursuing sales during the years of 1992 and 1993." A semiconductor manufacturer said that it "attempted to minimize the effects of import restrictions related to the Arab boycott by selling through distributors who sold products to Middle East customers."

A communications equipment manufacturer, noting that it deals with distributors and not end users reported—

> *We feel that [company name] does not suffer extraordinarily by the Arab League boycott. We have adapted our way of doing business successfully so that we may be able to sell to Israel and the Arab countries. Our policy is clear in that we will not allow for any illegal requests. We will sever the business relationship with the Arab distributors rather than comply with any Arab League boycott requirements. This policy is made clear to all of our distributors and that could be the reason why we very rarely get this type of request at all.*

A sporting goods manufacturer that sells to Israel and Arab countries through distributors said—

> *. . . each of the company's distributors in the Arab countries are aware of the Company's distribution of products to our Israeli distributor and some of those distributors have contacts with the Israeli distributor. . . each of our distributors is aware that the company, if asked, would refuse to comply [with the boycott].*

An agricultural exporter, which sells to Israel and boycotting countries, said that in mid-1992 it learned from its agent in one Middle Eastern country that the Government of that country would no longer do business with the U.S. firm because of the firm's apparent blacklisting. However, the firm continued to sell to the particular Government by using a subsidiary "which is apparently not on the blacklist." The firm added that "this arrangement has resulted in some administrative inconvenience and minimal additional costs, but not, to the best of our knowledge, to lost sales."

A producer of medical products said that "distributors of the company's goods and services in boycotting countries have made application for and have generally received exemptions for the sale of medical products in the boycotting countries."

Effect of multiple U.S. antiboycott compliance laws

A few companies commented on the difficulties raised by different U.S. antiboycott compliance laws[101]. For example, a manufacturer of commercial aircraft said that—

> *The Arab League boycott has resulted in two different U.S. antiboycott laws enforced by two different agencies. These laws are extremely complicated and difficult to interpret. Enforcement of and compliance with two U.S. antiboycott laws with the same overall intent (restricting and penalizing U.S. participation in the boycott) is duplicative and results in unnecessary costs to U.S. taxpayers and business establishments.*

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[101] For a discussion of U.S. antiboycott compliance laws, see chapter 2.

APPENDIX A
REQUEST LETTER FROM THE U.S. TRADE REPRESENTATIVE

THE UNITED STATES TRADE REPRESENTATIVE
Executive Office of the President
Washington, D.C. 20506

DOCKET NUMBER 1786

Office of the Secretary Int'l Trade Commission

NOV 3 1993

RECEIVED OFFICE OF THE SECRETARY U.S. INTL TRADE COMM.

'93 NOV -8 P4:14

The Honorable Don E. Newquist
Chairman
U.S. International Trade Commission
500 E Street, SW
Washington, DC 20436

Dear Mr. Chairman:

The Arab League boycott of Israel is a matter of concern in our trade and commercial relations with countries of the Middle East. The boycott directly affects U.S. businesses and is considered a barrier to U.S. exports. We are in need of a carefully researched assessment of the impact of the boycott on U.S. firms.

To assist us in this matter, under authority delegated by the President and pursuant to section 332(g) of the Tariff Act of 1930, I request the U.S. International Trade Commission to provide me with a report analyzing the economic costs to U.S. businesses arising from the boycott, defined as reduced U.S. exports and reduced profits of U.S. businesses. These costs may include the following:

(a) lost sales and business opportunities in Arab League countries and/or Israel arising from being blacklisted or from seeking to avoid such blacklisting;

(b) increased costs of sourcing and transportation resulting from the boycott as well as boycott compliance costs, including legal costs and direct and indirect costs associated with compliance with anti-boycott laws;

(c) distorted or foregone investments in either the Arab or Israeli markets resulting from the boycott as well as investment diverted from or denied to blacklisted U.S. businesses due to association with Israel.

In conducting this study the Commission may need to undertake an assessment of the scope of the boycott, the degree of enforcement on a country by country basis, and the degree of compliance with the boycott by U.S. businesses. To assist you with this effort, I will request relevant U.S. agencies to provide you, on a confidential basis, with available information on these issues.

It is my intention to publicly release the Commission's report, with the exception of information that directly affects U.S.

national security and information that the Commission has designated as confidential business information. With respect to information related to national security, and in accordance with USTR policy, I direct you to mark as "confidential" such portions of the Commission's report and its working papers as my office will identify in a classification guide. Information Security Oversight Office Directive No. 1, section 2001.21 (implementing Executive Order 12356, sections 2.1 and 2.2) requires that classification guides identify or categorize the elements of information which require protection. Accordingly, I request that you provide my office with an outline of this report as soon as possible. Based on this outline and my office's knowledge of the information to be covered in the report, a USTR official with original classification authority will provide detailed instructions.

It is requested that the Commission provide its report at the earliest possible date, but not later than twelve months following receipt of this request. The Commission's assistance in this matter is greatly appreciated.

Sincerely,

Michael Kantor

APPENDIX B
FEDERAL REGISTER NOTICES

parties may submit comments to District Manager, Bureau of Land Management, 940 Lincoln Road, Idaho Falls, Idaho 83401, (208) 524-7500.

Dated: November 29, 1993.

Lloyd H. Ferguson,

District Manager.

[FR Doc. 93-29903 Filed 12-7-93; 8:45 am]

BILLING CODE 4310-GG-M

INTERNATIONAL TRADE COMMISSION

[Investigation No. 332-345]

Effects of the Arab League Boycott of Israel on U.S. Businesses

AGENCY: United States International Trade Commission.

ACTION: Institution of investigation, scheduling of hearing, and request for comments.

SUMMARY: Following receipt on November 8, 1993, of a request from the United States Trade Representative (USTR), the Commission instituted investigation No. 332-345, Effects of the Arab League Boycott of Israel on U.S. Businesses, under section 332(g) of the Tariff Act of 1930.

EFFECTIVE DATE: December 2, 1993.

FOR FURTHER INFORMATION CONTACT: Constance A. Hamilton (202-205-3263), Trade Reports Division, Office of Economics, U.S. International Trade Commission, 500 E Street, SW., Washington, DC 20436. Hearing-impaired individuals can obtain further information by contacting the Commission's TDD terminal at 202-205-1810.

BACKGROUND: As requested by the USTR, the Commission will provide a report analyzing the economic costs to U.S. businesses arising from the Arab League boycott of Israel. These costs, defined in the USTR request as reduced U.S. exports and reduced U.S. profits, may include the following:

(a) Lost sales and business opportunities in Arab League countries and/or Israel arising from being blacklisted or from seeking to avoid such blacklisting;

(b) Increased costs of sourcing and transportation resulting from the boycott as well as boycott compliance costs, including legal costs and direct and indirect costs associated with compliance with anti-boycott laws;

(c) Distorted or foregone investments in either the Arab or Israeli markets resulting from the boycott as well as investment diverted from or denied to blacklisted U.S. businesses due to association with Israel.

The request letter notes that the Commission may need to undertake an assessment of the scope of the boycott, the degree of enforcement on a country by country basis, and the degree of compliance with the boycott by U.S. businesses.

As requested by the USTR, the Commission expects to submit its report to the USTR in November 1994.

PUBLIC HEARING: A public hearing in connection with the investigation will be held in the Commission hearing room, 500 E Street, SW., Washington, DC 20436, beginning at 9:30 a.m. on March 17, 1994. All persons have the right to appear by counsel or in person to present information and to be heard. Requests to appear at the public hearing should be filed with the Secretary, United States International Trade Commission, 500 E Street, SW., Washington, DC 20436 no later than noon, March 9, 1994. The deadline for filing prehearing briefs (original and 14 copies) is March 9, 1994. Posthearing briefs are due on March 31, 1994.

WRITTEN SUBMISSIONS: In addition to or in lieu of filing prehearing or posthearing briefs, interested parties are invited to submit written statements concerning the matters to be addressed in the report. Commercial or financial information that a party desires the Commission to treat as confidential must be submitted on separate sheets of paper, each clearly marked "Confidential Business Information" at the top. All submissions requesting confidential treatment must conform with the requirements of § 201.6 of the Commission's Rules of Practice and Procedure (19 CFR 201.6). All written submissions, except for confidential business information, will be made available for inspection by interested persons in the Office of the Secretary to the Commission. To be assured of consideration by the Commission, written statements relating to the Commission's report should be submitted at the earliest practical date and should be received no later than April 4, 1994. All submissions should be addressed to the Secretary, U.S. International Trade Commission, 500 E Street, SW., Washington, DC 20436.

By order of the Commission.

Issued: December 2, 1993.

Donna R. Koehnke,

Secretary.

[FR Doc. 93-29965 Filed 12-7-93; 8:45 am]

BILLING CODE 7020-02-P

[Investigation No. 332–349]

Effects of the Arab League Boycott of Israel on U.S. Businesses

AGENCY: International Trade Commission.

ACTION: Cancellation of hearing.

SUMMARY: As of the March 9, 1994, deadline for filing notices of appearances, the Commission had not received any requests to appear at its public hearing scheduled for March 17, 1994 in this matter. Therefore, the hearing in connection with this investigation scheduled for March 17, 1994 at the U.S. International Trade Commission Building, 500 E Street SW., Washington, DC, has been cancelled.

Notice of institution of the investigation and the scheduling of the hearing was published in the Federal Register of December 8, 1993, (58 FR 234).

EFFECTIVE DATE: March 11, 1994.

FOR FURTHER INFORMATION CONTACT: Peg O'Laughlin (202–205–1819), Office of Public Affairs, U.S. International Trade Commission. Hearing impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on (202–205–1810).

By order of the Commission.

Issued: March 11, 1994.

Donna R. Koehnke,

Secretary.

[FR Doc. 94–6145 Filed 3–15–94; 8:45 am]

BILLING CODE 7020–02–P

APPENDIX C
METHODOLOGY AND QUESTIONNAIRE

Survey Design and Method

Firms targeted to receive the questionnaire were selected from the following sources: (1) U.S. Department of Commerce, Bureau of the Census firm-specific export records, (2) U.S. Department of Commerce, Office of Antiboycott Compliance file of firms making inquiries about U.S. antiboycott law, and (3) Dun & Bradstreet ranking of the top 1,000 U.S. service providers. Each of these databases was randomly sampled in order to reflect characteristics of the overall database. A description of how each of these databases was used in the sample is provided below.

Census Database

The Bureau of the Census supplied a database containing names and addresses of U.S. exporters.[1] The database contained 8,542 names of exporters, accounting for 18.1 percent of total U.S. merchandise exports. Of these exporters, 1,020 had exports to the affected region (Israel and the boycotting countries) in 1993. Of the 8,542 total exporters, 568 were sampled according to the method described below. Responses were received from 331 firms. Of these firms, 137 firms had exports to the affected region in 1993. The sample of 137 firms was the basis used for projecting total lost sales and compliance costs for the U.S. economy, as described below.

The Bureau of Census database was used to develop a list of U.S. exporters which was stratified by value of exports in 1993. These exporters were divided into four groups, based on export value:

Strata	Value of exports
Very large	$15.1 million to $8.9 billion
Large	$2.7 million to $15.1 million
Medium	$0.9 million to $2.7 million
Small	$2,500 to $0.9 million

The sample was constructed so that the proportion of firms sampled from the stratum of "very large" exporters was greater than the proportion of firms sampled from the other three strata. This sampling method ensured the highest level of export coverage while minimizing response burden, especially among the smaller firms. The exact division between groups and sampling probabilities depended on the distribution of exports among firms. The strata division, and allocation of firms within the sample to specific strata, was designed to minimize overall sample variance. This sampling method also enabled inferences to be drawn about any one group, as well as about the universe. The objective was to sample efficiently the universe of U.S. exporters, while including enough small exporters to ensure that the study captures any effect that might be biased with respect to firm size. Responses were obtained from 331 firms. Table C-1 shows the distribution of sampled firms by firm size.

The sampling method also took account of the need to obtain information specifically from firms which exported to the region. Preliminary research had indicated that a bias with respect to firm size exists and that the greatest effects of the boycott may be on relatively small firms that are minor overall exporters, but more dependent on exports to the Middle East as a share of export sales. The stratified sampling method employed by the Commission was designed to capture a sufficiently large number of small exporters to the Middle East so that any such sampling bias would be minimized. The number of responses from firms with exports to the affected region in 1993 was 137.

Office of Antiboycott Compliance Records

The second sample was drawn from a database of the Department of Commerce's Office of Antiboycott Compliance (OAC). Firms selected from the OAC database are known to have familiarity with the boycott or with U.S. antiboycott compliance law.

[1] In a February 18, 1994, letter to the Acting Director of the U.S. Bureau of the Census, the Commission requested Census data on exports and exporters for 1993.

Table C-1
Description of firms in Bureau of Census sample that responded to USITC questionnaire

	Small		Medium		Large		Very Large		
	No. firms	Percent	No. firms	Percent	No. firms	Percent	No. firms	Percent	Total
Complete survey[1]	73	36.0	18	8.9	67	33.0	45	22.2	203
Incomplete survey[2]	66	51.6	10	7.8	36	28.1	16	12.5	128
Total sample	139	42.0	28	8.5	103	31.1	61	18.4	331

[1] Provided information for one or more questions.

[2] Firms reporting no direct or indirect sales during January 1, 1992, through December 31,1993, to the Arab League countries or to Israel. (Indirect sales are defined as sales to U.S. customers of goods used as inputs in products or services.)

The OAC, as the entity responsible for enforcing certain U.S. antiboycott compliance laws, maintains records of firms that have contacted the office with questions about antiboycott compliance. Such firms were actively engaged in exporting — or attempting to export — to Arab League countries in 1993, and are generally familiar with the constraints placed on their operations as a result of the boycott. OAC provided the Commission with the names and addresses of 2,200 firms that contacted the OAC during 1993. The list did not contain value of firm exports. Of the firms on the list, about 150 accounted for the vast majority of inquiries to the OAC. A total sample of 26 firms was drawn from the OAC database, of which 23 returned questionnaires.

Dun & Bradstreet List of Service Providers

A sample of firms was drawn from a Dun & Bradstreet ranking of the top 1,000 U.S. service providers. This sample was chosen to determine the effects of the boycott on service providers. The list was stratified into four groups, based on the value of sales. A sample of 100 firms was drawn from this database for use in the survey, of which 62 returned questionnaires.

Questionnaire Responses

Of 694 firms identified in the 3 samples defined above, 91 were discarded because they were duplicates of firms selected in one of the three samples, had foreign addresses, or had incomplete addresses (See table C-2.) A group of 603 U.S. firms remained.[2] Of these, 29 questionnaires were returned to the Commission because of incorrect addresses, in some instances from companies that were no longer in business. The remaining group of 574 questionnaires elicited 416 responses[3], or a response rate of 72.5 percent. Of that number, 260 responses contained data. Another 156 questionnaire recipients (37.5 percent) indicated that the questionnaire was not applicable to their operations.[4] A total of 158 recipients (27.5 percent) did not respond either by mail or telephone to the questionnaire, or to the Commission's followup telephone calls. The sample of 416 firms sampled from all three databases which returned questionaires is referred to below as the "aggregate sample".

Method for Estimating Economic Impact

The Commission estimated the effect of the Arab League boycott of Israel on U.S. businesses based on the random sample of firms selected from the Census database. The Commission did not use data from questionnaire

[2] The 603 questionnaires were mailed during the week of June 27, 1994, with a due date of July 29, 1994.

[3] The final cutoff date for inclusion of responses into the report, after followup calls to nonrespondents, was September 29th. Responses arriving after that date were not included in the analysis.

[4] The questionnaires were not applicable because the respondents had not sold goods or provided services to a customer either (1) in an Arab League country or Israel during January 1, 1992, through December 31, 1993, or (2) to a U.S. customer for input into goods or services sold to those countries during that period.

Table C-2
Aggregate questionnaire sample: Total firms sampled and summary of responses

Sampling description	Number of firms	Percent
Total firms selected for samples[1]	694	100.0
Deletions from total firms[2]	91	13.1
Questionnaires sent by ITC	603	86.9
Returned/undeliverable	29	4.2
Net group sampled	574	82.7
Sample responses		
Survey not returned	158	27.5
Total survey responses[3]	416	72.5
Completed	260	62.5
Survey not applicable[4]	156	37.5

[1] The following number of firms were sampled from each database: Census, 568; Dun and Bradstreet, 100; and the Office of Antiboycott Compliance, 26.

[2] Firms with foreign addresses, incomplete addresses, or duplicates of firms already chosen.

[3] The following number of firms replied to the questionnaire from each sample: Census, 331; Dun and Bradstreet, 62; and Office of Antiboycott Compliance, 23.

[4] Firms reporting that the questionnaire was not applicable to their operations. These firms reported no direct or indirect sales during Jan. 1, 1992 through Dec. 31, 1993 to the Arab League countries or to Israel. (Indirect sales are defined as sales to U.S. customers of goods used as inputs in products or services.)

responses based on the other two databases in its estimates for several reasons. First, the responses from firms sampled from the OAC database were not used because sampled firms from that database are not representative of the economy at large and may be biased in the direction of having been affected by the boycott. Second, the responses from firms sampled from the service providers database reported no sales lost because of the boycott. Costs of compliance reported by service firms were comparable to those reported for firms in the other two sample groups. Consequently, for these reasons and others noted below, only the sample drawn from the Census Bureau database on exporters to the boycott region was used to estimate the effects of the boycott on the economy. However, the aggregate data provided by all respondents sampled from the 3 databases are summarized in the chapter 3 section "Summary of Aggregate Questionnaire Responses". No projections of the effect of the boycott on the U.S. economy are made using this aggregate data.

To obtain estimates of effects of the boycott on U.S. businesses, the commodity exporting sector was evaluated, using only responses from firms doing business with the Middle East region selected from the Census Bureau exporters file. A sample of 137 firms was drawn from a data set consisting of 1,020 firms which had recorded exports to the affected region. This sample consisted of records on which valid firm name and address information were available. The sample was stratified into four groups based upon the level of the firm's exports to the Middle East in 1993. (See tabulation below.) The firms were selected such that the data would predict estimates of exports within a range of plus or minus 5 percent. The degree of confidence that should be placed in the estimates of parameters, other than exports (i.e, lost sales and cost of antiboycott compliace), depends on how good export data are as a proxy for the other information collected in the questionnaire.

Although several firms stated that transportation costs, profits, and/or the volume of investment to the region had been affected by the boycott, the Commission received too few responses on these items to warrant projection of total quantities for the U.S. economy.

The tabulation on the next page presents the characteristics of the stratified sample used in projecting economic effects of the boycott on U.S. businesses that reported exports to the region in 1993.

For the measures of interest, lost sales and cost of compliance, response rates ranged from 29 percent to 41 percent respectively. These relatively low response rates obviously raise serious concerns about possible bias and the confidence that should be placed in projections derived from the sample. Results should be viewed cautiously as rough estimates showing approximate magnitude, and not as precise values. Based on actual questionnaire

Exporter size	No. of firms in strata	No. of firms in sample	Range of value of exports
			(1,000 of dollars)
Very large	59	59	$1,083 to 627,003
Large	53	24	$315 to 1,027
Medium	111	13	$105 to 309
Small	797	41	$3 to 104
Total	1,020	137	$3 to 627,003

responses, projections of lost sales and compliance costs were made for all U.S. firms exporting to the affected region. Implicit in this procedure is the assumption that the sample relied on was representative of overall national exports to the affected region. The projected numbers for lost sales and cost of compliance with antiboycott laws from the firms sampled from the Bureau of Census records, therefore, provide an estimate of the impact of the boycott on the commodity exporting sector. As discussed in Chapter 3, to the extent that firms with no prior export history to the region were deterred from seeking sales in the region by the boycott, the estimate of lost sales is an underestimate. Using a similar process with the service export firms drawn from the Dun & Bradstreet file, responses indicated that no firms from that sample experienced lost sales, and that costs associated with boycott compliance were negligible. Hence, projection to the national level was unnecessary.

The following is a brief summary of the calculation method by which survey results were used to obtain estimates of lost sales and compliance costs for the United States economy:

The Commission received 416 survey responses. Of these, 331 responses were from the Bureau of the Census database for which the export behavior of firms in 1993 was known, and 137 responses were from firms which actually reported exports to the affected region. The total Census database included 8,542 firms, of which 1,020 had exports to the affected region in 1993. These 1,020 firms accounted for 20.8 percent of the $17.3 billion in U.S. exports to the affected region in 1993. Since the phenomena of lost sales and compliance costs apply primarily to firms which do business in the affected region, these 137 surveys were the basis for projections of lost sales and compliance costs.

Of the 137 surveys, 56 provided usable responses for lost sales (including responses of zero lost sales) and 39 provided usable responses for compliance costs, A two-stage projection method was used. The first stage involved using survey responses to project estimates for the 1,020 exporters to the affected region in the Census sample. This was done utilizing the information on the stratification properties of the 1,020 firms as presented above. That is, an estimate of lost sales was calculated as

$$\sum_{i=1}^{4} (n_i/s_i)l_i \quad ,$$

where the subscript i denotes the sampling stratum (i.e. small, medium, large, very large), n_i denotes the number of firms in the stratum, s_i denotes the number of firms in the stratum which provided usable responses to the question on lost sales in 1993, and l_i denotes the total dollar value of lost sales in 1993 for firms providing usable responses. An analogous procedure was used to obtain an estimate of compliance costs for the same 1,020 firms. The second stage of the estimation was to project the values estimated for the 1,020 firms to values for the U.S. economy. Since the 1,020 firms represent 20.8 percent of U.S. exports to the region, this stage consisted simply of multiplying the first-stage estimates by 4.81, which equals 1/.208.

Application of the two-stage procedure is then carried out as follows:

	Lost sales	Compliance costs
Usable responses	56	39
Monetary value	$2,800,000	$1,134,794
Census database firms which export to region	1,020	1,020
Projected monetary value	$85,830,769	$34,126,422
* 4.81 =		
Projected monetary value for all U.S. exporters to region (rounded)	$410 million	$160 million

OMB Approval No: 3117-0178
Expiration Date: Nov. 7, 1994

QUESTIONNAIRE

COSTS TO U.S. BUSINESSES ASSOCIATED WITH THE ARAB LEAGUE BOYCOTT OF ISRAEL

Return completed questionnaire to:
United States International Trade Commission
Office of Economics, Trade Reports Division, Room 602
Washington, D.C. 20436

So as to be Received by the Commission
By July 29, 1994

The information called for in this questionnaire is for use in this investigation only. The U.S. International Trade Commission (Commission) is gathering information in connection with its investigation No. 332-349, Effects of the Arab League Boycott of Israel on U.S. Businesses, under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)). Notice of the investigation was published in the Federal Register of December 8, 1993. The information requested will supplement data available from other sources and will be used to determine the economic cost of the boycott on U.S. businesses. The information requested is required under the authority of section 332(g) of the Tariff Act of 1930. THIS REPORT IS MANDATORY AND FAILURE TO REPLY AS DIRECTED CAN RESULT IN THE ISSUANCE OF A SUBPOENA OR OTHER ORDER TO COMPEL THE SUBMISSION OF RECORDS OR INFORMATION IN YOUR POSSESSION UNDER THE AUTHORITY OF SECTION 333(a) of the Tariff Act of 1930 (19 U.S.C. 1333(a)). The information requested in this questionnaire is subject to requirements of section 3507, title 44, of the United States Code (the Paperwork Reduction Act of 1980, as amended).

The commercial and financial data furnished in response to this questionnaire that reveal the individual operations of your firm will be treated as confidential by the Commission to the extent that such data are not otherwise available to the public and will not be disclosed except as may be required by law. See further discussion on Commission treatment of confidential business information on page 2.

If your firm sold goods or provided services to customers in any of the following countries, or to U.S. customers that used your good or service as an input into goods or services sold in these countries, during January 1, 1992 through December 31, 1993, please fill out the appropriate blanks in the questionnaire and return it to the Commission:

Algeria	Israel	Libya	Qatar	Tunisia
Bahrain	Jordan	Mauritania	Saudi Arabia	United Arab Emirates
Djibouti	Kuwait	Morocco	Sudan	Yemen
Iraq	Lebanon	Oman	Syria	

If your firm did not engage in, or did not attempt to engage in, any such activities in 1992 or 1993, check X here [ ], fill in the name and address of your firm below, sign the certification, and promptly return only this page of the questionnaire to the Commission. The enclosed prepaid envelope may be used to return this page or the completed questionnaire.

Name of firm: ______________________________

Address: ______________________________

City: __________________ State: ______ Zip: ______

CERTIFICATION

The undersigned certifies that the information herein supplied in response to this questionnaire is complete and correct to the best of his/her knowledge and belief and understands that the information submitted is subject to audit and verification by the Commission.

DATE ______________________ SIGNATURE OF AUTHORIZED OFFICIAL ______________________

TELEPHONE NUMBER ____ FAX NUMBER ____ NAME AND TITLE OF AUTHORIZED OFFICIAL ______________________

GENERAL INFORMATION, INSTRUCTIONS, QUESTIONS, AND DEFINITIONS

GENERAL INFORMATION

Background.--At the request of the United States Trade Representative, the Commission is conducting this study of costs incurred by U.S. businesses associated with the secondary and tertiary aspects of the Arab League boycott of Israel. These aspects of the boycott forbid Arab business relations with firms who provide goods or services that contribute to Israel's economic or military development, or with firms that do business with such firms. Costs associated with the boycott may include lost sales or business opportunities, foregone investments, increased transportation costs, and an increase in legal and administrative costs associated with compliance with U.S. antiboycott laws.

Nondisclosure of confidential business information:

> The commercial and financial data furnished in response to this questionnaire that reveal the individual operations of your firm will be treated as confidential business information by the Commission and will not be published in a manner that will reveal the individual operations of your firm and will not be disclosed except as may be required by law. Section 332(g) provides that the Commission may not release information which qualifies as confidential business information (under Commission Rule 201.6 (19 CFR 201.6)) unless the party submitting the confidential business information had notice, at the time of submission, that such information would be released by the Commission, or such party subsequently consents to the release of the information. The confidential business information that you are requested to furnish is for the use of the Commission in this investigation only in preparing its report for the Office of the U.S. Trade Representative. The confidential business information that you furnish will not be used by the Commission in subsequent investigations on the same subject matter (although nonconfidential aggregations of data derived from responses to this questionnaire and published in the report on this investigation may be used in other investigations). The confidential business information which you furnish will not be released by the Commission to other Government agencies or other requestors.

Further information.--If you have any questions concerning this questionnaire or other matters related to this investigation, you may contact the following Commission staff members: Constance Hamilton (202-205-3263) or Paul Gibson (202-205-3270). Additional questionnaires will be supplied promptly upon request, or photocopies of this questionnaire may be used. Address all correspondence to: Constance Hamilton, United States International Trade Commission, Office of Economics, Room 602, Washington, D.C. 20436 or via FAX to 202-205-2340.

Information for the hearing impaired.--Hearing-impaired individuals can obtain information regarding this investigation via TDD terminal (202-205-1810).

INSTRUCTIONS

1. Prepare one questionnaire for your firm's U.S. and foreign operations during January 1, 1992 through December 31, 1993. Include the activities of any subsidiaries located in the United States if you are the sole or majority owner. Do not include data from joint ventures in your report unless you are reporting for it in its entirety.

2. Report data for your U.S. firm and any controlled-in-fact foreign subsidiary whose activity is within the interstate or foreign commerce of the United States.

3. Report all value data requested in U.S. dollars. If it is necessary to convert, use the exchange rate you received at the time of the transaction.

4. Answer all questions.--If the answer to any question is "zero," so indicate; if it is not available, indicate "n/a" rather than leave the space blank. If the information requested is not readily available from your records in exactly the form requested, furnish carefully prepared estimates--designated as such by the letter "E"--and explain the basis of your estimates. Any necessary comments or explanations should be supplied in the space provided or on separate sheets attached to the appropriate page of the questionnaire.

5. Name and address of establishments covered by this questionnaire (if different from that shown on page 1):

____

____

____

GENERAL

Public reporting burden for this questionnaire is estimated to average 20 hours per response, including the time for reviewing instructions, searching existing data sources, gathering the data needed, and completing and reviewing the questionnaire. This average is based on the amount of time firms have taken to complete similar Commission questionnaires in the past. It has been our experience that the time required by an individual firm to complete a questionnaire may be considerably higher or lower than the above estimate. This is due to such factors as the number of sections that apply to the operations of the firm.

A. To help us make future questionnaires easier to complete, please supply the following information. Include only the time your firm spent solely to complete this questionnaire.

Total time spent . . . . _______ hours

B. Which part of the questionnaire took the most time, and why?

____

____

____

C. You may send other comments regarding the above burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden to: Director, Office of Economics, U.S. International Trade Commission, Washington, DC 20436; and to Office of Information and Regulatory Affairs, Office of Management and Budget, Attn: Jefferson Hill, Washington, DC 20503.

DEFINITIONS

1. Firm.--An individual proprietorship, partnership, joint venture, association, corporation (including any subsidiary corporation), business trust, cooperative, trustees in bankruptcy, or receivers under decree of any court, owning or controlling one or more establishments.

2. United States.--The 50 states, the District of Columbia, and Puerto Rico.

3. Arab League boycott of Israel.--A coordinated policy by the boycotting countries of refusing to engage in business transactions with Israeli and other foreign businesses that are believed directly or indirectly to improve Israel's economic or military security.

4. Boycotting country.--Members of the Arab League who may require participation in, or cooperation with the boycott of Israel. Member countries include: Algeria, Bahrain, Djibouti, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, Qatar, Saudi Arabia, Syria, Sudan, Tunisia, United Arab Emirates, and Yemen.

5. Central Boycott Office.--The coordinating institution for the Arab League boycott of Israel. The Central Boycott Office, located in Damascus, Syria, advises boycotting countries of firms or individuals to be blacklisted.

6. Blacklists.--Lists of firms, individuals, and organizations that are considered to be contributing materially to the economic or military development of Israel. The lists may be maintained by either the Central Boycott Office or by national or local boycott offices in boycotting countries. Participating countries are encouraged to forbid business dealings with the entities on the blacklist.

7. U.S. Antiboycott compliance laws.--The two principal U.S. Federal antiboycott laws are: Section 999 of the Internal Revenue Code (26 U.S.C. 999), and the antiboycott provisions of the Export Administration Act of 1979 (50 U.S.C. App. 2407), as continued in effect by Executive Order 12730.

8. Profit.--Net income before taxes.

9. Worldwide Gross Investments.--Purchases by your company of plant and equipment or other physical capital with a useful life of more than one year anywhere in the world.

10. Earnings.--Total revenues minus total expenses.

11. Input Sources.--Suppliers of services, raw materials, components, or semi-finished goods for use in your production process.

12. Services.--Includes the provision of all services related to export transactions as well as travel and tourism, royalties and licensing, education, financial and telecommunications services, and business, professional, and technical services.

SECTION I.--GENERAL INFORMATION ABOUT YOUR FIRM

I-A. Please report the following information for your firm:

	1992	1993
	(in 1,000 of dollars)	
Total value of sales in the United States	$________(001)	$________(002)
Total value of export sales	$________(003)	$________(004)

I-B.

	1992	1993
Worldwide gross investments:		
Domestic	$________(005)	$________(006)
Foreign		
Total foreign	$________(007)	$________(008)
In boycotting countries	$________(009)	$________(010)
In Israel	$________(011)	$________(012)

I-C. Business of reporting firm is primarily (Check all that apply):

___ Agriculture, forestry, and fishing (013)
___ Mining (015)
___ Finance, insurance, real estate (017)
___ Manufacturing (019)
___ Transportation, communications, electric, gas, and sanitary services (021)
___ Wholesale trade (014)
___ Retail trade (016)
___ Construction (018)
___ Other services (020)

I-D. Please indicate the total value and type of shipments exported by your firm:

	1992	1993
	(in 1,000 of dollars)	
Animal and vegetable products	$________ (022)	$________ (023)
Wood and paper; printed matter	$________ (024)	$________ (025)
Textile fibers and textile products	$________ (026)	$________ (027)
Chemicals and related products	$________ (028)	$________ (029)
Nonmetallic minerals and products	$________ (030)	$________ (031)
Metals and metal products	$________ (032)	$________ (033)
Weapons and military equipment	$________ (034)	$________ (035)
Machinery and transportation equipment	$________ (036)	$________ (037)
Other	$________ (038)	$________ (039)

I-E. Please indicate the total value of your earnings for the provision of services, as defined on page 4 (in 1,000 dollars):

1992	1993
$________(040)	$________(041)

SECTION II.--ASSESSMENT OF THE ARAB LEAGUE BOYCOTT OF ISRAEL ON YOUR OPERATIONS

A. SALES

II-A-1. Did your firm lose any direct sales or follow-on sales to customers in any boycotting country or in Israel in 1992 or 1993 because of the Arab League boycott of Israel?

_____Yes (042) _____No (043) _____Don't know (044)

If yes, please estimate the dollar value of such lost sales:

1992: $_______ (045) 1993: $_______ (046)

II-A-2. Did your firm lose any direct sales or follow-on sales to any customer located in the United States because of the Arab League boycott of Israel?

_____Yes (047) _____No (048) _____Don't know (049)

If yes, please estimate the dollar value of such lost sales:

1992: $________ (050) 1993: $_______ (051)

II-A-3. Did concerns about the Arab League boycott of Israel prevent your firm from seeking sales of goods or provision of services to any boycotting country or to Israel?

In 1992: _____Yes (052) _____No (053)

In 1993: _____Yes (054) _____No (055)

If yes, please explain your firm's concerns:

____

____

____

II-A-4. Did concerns about complying with U.S. antiboycott compliance laws prevent your firm from seeking sales of goods or services to any boycotting country?

1992: _____Yes (056) _____No (057)

1993: _____Yes (058) _____No (059)

If yes, please explain your firm's concerns:

____

____

____

II-A-5 Has your firm ever been informed by another U.S. firm or entity, or by an authority in a boycotting country or elswhere, that it is on a list of blacklisted firms as a result of the Arab league boycott of Israel?

_______Yes (060) _______No (061)

Section II--Continued

B. COSTS

II-B-1. Transportation Costs

Has the Arab League Boycott of Israel affected the cost of delivering your products or services to markets or customers in Israel?

In 1992: _______Yes (062) _______No (063)

If yes, what was the average amount of (circle one) **increase** or **decrease**? $_______ (064)

In 1993: _______Yes (065) _______No (066)

If yes, what was the average amount of (circle one) **increase** or **decrease**? $_______ (067)

II-B-2. Did the Arab League Boycott of Israel affect the costs of delivering your products or services to markets or customers in any boycotting country?

In 1992: _______Yes (068) _______No (069)

If yes, what was the average amount of (circle one) **increase** or **decrease**? $______ (070)

In 1993: _______ Yes (071) _______ No (072)

If yes, what was the average amount of (circle one) **increase** or **decrease**? $______ (073)

II-B-3. Legal and Administrative Costs

Did your firm establish an antiboycott compliance program or office to handle boycott-related requests or to comply with U.S. Federal reporting requirements?

_______Yes (074) _______No (075)

If yes, in what year was the program or office established? ______(076)

II-B-4. Please indicate which of the following prohibitions, inquiries, or other requirements that boycotting countries may have imposed on your firm to force compliance with the Arab League boycott of Israel:

Customs regulations.-- Did your firm encounter foreign customs prohibitions on exporting to boycotting countries because of blacklisting of your firm, or of your suppliers, by any boycotting authority?

In 1992: _______Yes (077) _______No (078)

In 1993: _______Yes (079) _______No (080)

Section II--Continued

II-B-4.--Continued

Boycott questionnaires.--Did your firm receive questionnaires from the Central Boycott Office or other authorities in boycotting countries inquiring about the nature and extent of your firm's business relations with Israel or Israeli persons or firms, or with blacklisted persons or firms?

1992: _____Yes (081) _____No (082)

1993: _____Yes (083) _____No (084)

Contract conditions.--Was your firm asked to agree to contract stipulations specifying that your firm cannot have or undertake commercial dealings with Israel, or with blacklisted persons or firms?

1992: _____Yes (085) _____No (086)

1993: _____Yes (087) _____No (088)

Letters of credit.--Was your firm asked to comply with terms and conditions stipulated in letters of credit that require proof of boycott compliance?

1992: _____Yes (089) _____No (090)

1993: _____Yes (091) _____No (092)

Shipping documents.--Was your firm asked to use certificates of origin, commercial invoices, bills of lading, insurance certificates, German reparations certificates, or airway bills that require declaration that merchandise being shipped is not of Israeli origin, does not contain Israeli components, or originate from blacklisted firms?

1992: _____Yes (093) _____No (094)

1993: _____Yes (095) _____No (096)

Tenders and purchase orders.--Did your firm receive invitations to bid on capital projects that requested certification of compliance with the Arab League boycott of Israel that your firm's goods are not of Israeli origin or do not contain Israeli components and that goods are not produced by blacklisted firms and that your firm and its affiliates are not blacklisted?

1992: _____Yes (097) _____No (098)

1993: _____Yes (099) _____No (100)

Section II--Continued

II-B-4.--Continued

Requirements that could foster discrimination.--Was your firm asked to certify whether it is owned by or employs "Zionist" persons or has "Zionist" members on your Board of Directors?

1992: _____Yes (101) _____No (102)

1993: _____Yes (103) _____No (104)

II-B-5. Please estimate total costs, direct and indirect, associated with your firm's compliance with U.S. anti-boycott compliance laws. Include any annualized portion of the cost of setting up a compliance program (training, documentation, checklist, etc.):

In 1992: $______ (105) In 1993: $______ (106)

C. PROFITS

II-C-1. Did your costs associated with the Arab League boycott of Israel have an overall effect on your firm's profits?

In 1992: _______Yes (107) _______No (108) ______Don't know (109)

If yes, please check how your profits were affected in 1992 and indicate the amount and the percentage:

______Increased profit (110) $______ (111) ______percent (112)
______Decreased profit (113) $______ (114) ______percent (115)
______Profit unaffected (116)

Please explain how:____

____

____

In 1993: _______Yes (117) _______No (118) ______Don't know (119)

If yes, please check how your profits were affected in 1993 and indicate the amount and the percentage:

______Increased profit (120) $______ (121) ______percent (122)
______Decreased profit (123) $______ (124) ______percent (125)
______Profit unaffected (126)

Please explain how:____

____

____

Section II--Continued

D. INVESTMENT

II-D-1. Did concerns about the Arab League boycott of Israel affect your firm's overall plans for investment in Israel?

_____Yes (127) _____No (128)

If yes, how did the boycott cause your firm to change its investment plans? Please check all that apply and indicate the dollar amount of investment affected:

	Amount of investment affected:
___Postponed investment plans (129)	$________________ (130)
___Reduced investment plans (131)	$________________ (132)
___Cancelled investment plans (133)	$________________ (134)
___Other (specify):____________ (135)	$________________ (136)

II-D-2. Did concerns about the Arab League boycott of Israel affect your firm's overall plans for investment in any boycotting country?

_____Yes (137) _____No (138)

If yes, what effect did the boycott have on your firms's investment plans? Please check all that apply and indicate the dollar amount of investment affected:

	Amount of investment affected:
___Postponed investment plans (139)	$________________ (140)
___Reduced investment plans (141)	$________________ (142)
___Cancelled investment plans (143)	$________________ (144)
___Other (specify):____________ (145)	$________________ (146)

II-D-3. Which of the following concerns are most important to your firm's investment decisions in Israel or any boycotting country? Rank in order of importance from 1 to 5 (1 = most important; 5 = least important).

Economic viability of the project	________ (147)
Political risk	________ (148)
Economic uncertainty in the region	________ (149)
Arab League Boycott of Israel	________ (150)
Other (specify):	________ (151)

____

____

Section II--Continued

II-D Other effects.--Did your firm experience other effects because of implementation of the Arab League boycott of Israel that are not covered in the above questions? Such difficulties may include, but are not limited to, customs delays, entry refusal, confiscation of merchandise, or seizure of bank guarantees. Please describe any such requirements or difficulties your firm may have experienced in exporting to boycotting countries in 1992 or 1993 and estimate the cost to your firm of each type of difficulty.

Please use the space below or attach additional sheets if necessary.

SECTION III.--**ADDITIONAL EFFECTS OF THE ARAB LEAGUE BOYCOTT OF ISRAEL ON YOUR FIRM**

III-A. Please describe how your firm may have tried to minimize the effects of the Arab League Boycott of Israel on your firm's operations.

Section III--Continued

III-B. Has the Arab League Boycott of Israel affected your firm in ways not covered by this questionnaire? Please explain.

Section III--Continued

III-C. Please use this space for additional comments on any of the above questions (specify question number):

END OF QUESTIONNAIRE

APPENDIX D
LITERATURE REVIEW

Economic Sanctions and the Arab League Boycott of Israel

Review of Economic Literature

International economic sanctions have been a standard topic of economic research. Researchers have studied a wide range of issues, including the motives of nations imposing sanctions, the effects on imposing countries and on target nations, and the success of sanctions at achieving desired outcomes. Generally, the literature suggests that the effects of sanctions decline over time. Firms adjust to the rules and the level of enforcement inherent in a given program of sanctions much the same way as they adjust to other obstacles to free trade. Moreover, general economic development opens new domestic and international opportunities for them, tending to override the effects of sanctions.

The Arab League boycott of Israel, including its secondary and tertiary aspects, is one of the most significant international economic sanctions of modern times both in terms of the value of resources that have been diverted from their most efficient use and of its longevity. Researchers have studied it, but focused mainly on the effects on Israel and the boycotting nations. Few have considered the effects on countries not directly involved in the Middle East conflict, such as the United States. To the Commission's knowledge, no one before this study has attempted to estimate the economic effects of the Arab League boycott on the United States. Below is a brief review of the issues surrounding sanctions and the research on them, followed by a bibliography of literature with summaries.

Economic Sanctions

Economic sanctions can be defined as any interference in normal commercial relations between nations for the purpose of advancing a political objective. They include restrictions on either imports or exports, and financial restrictions such as a freeze on assets or reduction in foreign aid. Restrictions on trade are often applied on products selectively. Restrictions that apply to entire nations are called "embargoes" or "boycotts." "Blacklisting" refers to restrictions against specific individuals or entities. Restrictions that are imposed purely for economic reasons or as part of an economic conflict, such as retaliatory tariffs, generally are not regarded as sanctions.

Economic sanctions have a long history, beginning with the Greek city-states during the Peloponnesian War. Until this century they were used sparingly and usually in conjunction with major conflicts. Both the League of Nations' and the United Nations' charters codified the use of sanctions as an instrument of international collective security. Since World War II, governments have imposed sanctions much more frequently and often not under the aegis of the United Nations or other international bodies. The United States and its allies have been especially active in imposing such sanctions.

Governments generally impose sanctions for political reasons. One view is that sanctions are imposed to effect a specific outcome, usually an action or a change of policy by the target nation that is the stated objective of the sanction. Another view is that sanctions are not imposed with an expectation of achieving their stated objective, but rather to send a strong signal to the target government of disapproval of its behavior and to warn of possible harsher action if the objectionable behavior continues or is repeated. Sanctions, according to this view, occupy the broad middle range of sovereign actions between diplomacy and war. The motive for imposing sanctions is more to deter and mitigate the objectionable behavior than it is to rescind it. Still another view is that governments impose sanctions in response to domestic political pressure either from public opinion or economic special interests. This view is based on the theory of collective action developed by public finance and public choice economists. Sometimes they are imposed to express public outrage, as after the Soviet Union's invasion of Afghanistan and after the Tianamen Square massacre in China. Of course, a government might have multiple motives for imposing sanctions in a given case.

Given the uncertainty about the motives for imposing sanctions, it has been difficult to evaluate their effectiveness. There is a conventional wisdom that they are ineffective. This view is based on the observation that sanctions rarely induce the target nation to succumb to the stated objective, and on the logic that in the world market the target can circumvent nearly any trade restriction. But, if the stated objective is not the real objective and if sanctions impose higher costs on the target even if they do not prevent trade, the support for this view weakens. Several researchers have found sanctions to be at least partly effective in a significant number of cases.

The Arab League Boycott

The Arab League boycott of Israel illustrates the difficulty of evaluating the efficacy of sanctions. They have "failed" in the sense that Israel still exists, has prospered, and has maintained military dominance in the Middle East. However, the literature indicates that the boycott has imposed considerable economic costs on Israel, which have slowed its growth and may have made it more flexible in negotiations of a settlement of the Middle East conflict. Without knowing what would have happened if there had been no boycott, it is hard to tell how effective the boycott has been.

The United States has responded to the secondary and tertiary boycott with antiboycott legislation which penalizes U.S. companies for compliance, as described in this report. Before this study, no known estimates of the effects of the boycott on the United States existed.

Annotated Bibliography on Economic Sanctions

Alder-Karlsson, Gunnar. "The Efficiency of Embargoes and Sanctions," *Economic Warfare or Detente: An Assessment of East-West Relations in the 1980s*, eds. Reinhard Rode and Hanns D. Jacobsen, Boulder: Westview Press, 1985, pp. 281-293.

The author reviews the history of the embargo by the United States and its allies against the Soviet Union during the cold war. The purpose of the embargo was to keep nuclear technology out of the USSR's hands. It was provoked by Soviet expansionism. The embargo was effective at first, but became less effective later as Europe wanted to soften the policy and increase its trade. France withdrew from the embargo in 1960, illustrating the difficulty of maintaining collective resolve. "Embargoes are no longer seen as efficient long term instruments of economic policy."

Brady, Lawrence J. "The Utility of Economic Sanctions as a Policy Instrument," *The Utility of International Economic Sanctions*, ed. David Leyton-Brown, New York: St. Martin's Press, 1987. Sanctions include embargoes on financial and commercial dealings, restrictions on the use of transport and restricted communications. Commercial embargoes include bans on imports from the target country and exports to the target country. The goals of sanctions might be: to influence policies, to make the target lose face, to signal resolve, and to reduce the possibility of military conflict. Sanctions are rarely applied with one narrow goal in mind.

Carbaugh, Robert and Darwin Wassink. "International Economic Sanctions and Economic Theory," *Rivista Internationale di Science Economiche e Commercial*, vol. 35, No. 3, (1988).

The authors review some of the major reasons for which countries impose sanctions, including enhancement of national security, reduction of nuclear proliferation, protection of human rights, and the effort to combat international terrorism. The purpose of sanctions is to reduce the target country's welfare or to make a political statement. The United States has been the main user of sanctions since World War II. These have included trade sanctions and financial sanctions such as a reduction in aid or freezing of assets. Sanctions inflict costs on both the imposing and target countries. Usually the imposing country is larger so it can absorb the costs more easily. Export restrictions generate welfare losses. The greater the initial dependence on foreign goods, the more inelastic is foreign demand, and the more inelastic is foreign country supply.

Czinkota, Michael R. "International Economic Sanctions and Trade Controls: A Taxonomic Analysis," *Export Controls/Building Reasonable Commercial Ties With Political Adversaries, Praeger*, ed. Michael R. Czinkota, New York: Praeger, 1984.

A history of the use of economic sanctions is given. The earliest known use was by Greek city-states during the Peloponnesian War. Later they were used in the Napoleonic Wars. More recently, the idea has been to use sanctions for multilateral enforcement of international rules of conduct. The League of Nations and United Nations charters both have provisions for economic sanctions for dealing with threats to peace.

Sanctions have been used to change behavior of the target nations or to communicate a message. Sometime the goal is to achieve a total collapse of a country or its government.

Dewitt, David. "The Arab Boycott of Israel," *The Utility of International Economic Sanctions*, ed. David Leyton-Brown, New York: St. Martin's Press, 1987.

Arab sanctions have inflicted economic costs on Israel, but it is hard to say how much. The Arab League has not been able fully to implement the boycott because of differences among its member nations.

Frankel, Jeffrey A. "The 1807-1809 Embargo Against Great Britain," *Journal of Economic History*, vol. XLII, No. 2 (June 1982).

The author analyzes the U.S. embargo against Great Britain of 1807-1809 and assesses the conventional wisdom that the embargo failed because of ineffective enforcement and greater damage to the United States than to Britain. He concludes that the conventional wisdom is incorrect. The embargo raised agricultural prices in Britain by a greater percentage than it raised the prices of manufactured goods in the United Sates. Although the embargo was an effective weapon, it failed because of a lack of political will and perseverance to use it.

Hayes, K. and S. Porter Hudak. "Regional Welfare Loss Measures of the 1973 Oil Embargo: A Numerical Methods Approach," *Applied Economics*, vol. 19, 1987, pp. 1317-1327.

The authors use numerical methods to estimate the welfare loss of high gasoline prices resulting from the 1973 oil embargo, based on compensating variation and the indirect utility function.

Hufbauer, Gary Clyde, Jeffrey J. Schott, and Kimberly Ann Elliott. *Economic Sanctions Reconsidered/History and Current Policy*, 2d ed., Washington, DC: Institute for International Economics, 1990.

The authors conducted a study of 116 cases of economic sanctions beginning with the economic blockade of Germany in World War I and ending with the U.S./U.N. embargo on

Iraq in 1990. They define "economic sanction" as a deliberate government-inspired withdrawal or threat of withdrawal of customary trade or financial relations. The authors give some discussion of the history of sanctions, noting that the earliest known sanction was Pericles' Megarian Decree, which occurred in 432 B.C. during the Peloponnesian War. They note that domestic political goals may be the motivation in some cases.

The imposing country's motives might be (1) to demonstrate resolve, (2) to deter the target or other country from future objectionable policies, (3) to engage in a middle ground between diplomacy and military action, and (4) to give a signal to the target, to allies, and to domestic interests. They note that sanctions are often ineffective at changing the behavior of the target country because they are too weak and might even unify the target in opposition.

In each case they define the objective of the sanction and a number of economic variables such as the relative sizes of the imposing and target country and the degree of trade linkage between them. The success of the sanction in each case was assessed.

The authors conclude that it is hard to know what is the real objective of sanctions and that it may not be for the stated purpose, but rather to demonstrate resolve, to express outrage, or to punish in order to deter future behavior. Overall, sanctions have only limited effectiveness in compelling the target country to an action it strongly resists; they are successful in contributing to a policy change 34 percent of the time, but the percentage is higher in certain circumstances; and they help to destabilize the target government about half the time and are especially effective against small and initially unstable governments.

Some sanctions are imposed for domestic political reasons and are not seriously intended to achieve a stated objective, such as U.S. sanctions against China following the Tianamen Square massacre.

Of nine recommendations given for successful sanctions, the three main ones are as follows: countries in distress are more likely to succumb to pressure; sanctions work better against allies than adversaries; and sanctions are most likely to be effective if they are imposed quickly and decisively.

In recent years, sanctions have been even less successful.

Hufbauer, Gary Clyde and Jeffrey J. Schott. "Economic Sanctions: An Often Used and Occasionally Effective Tool of Foreign Policy," *Export Controls/Building Reasonable Commercial Ties With Political Adversaries*, ed. Michael R. Czinkota, New York: Praeger, 1984.

This paper reports early research by Hufbauer and Schott, including analysis of 64 cases of sanctions imposed in the twentieth century. A later expansion of this research was done by Hufbauer, Schott, and Elliott and published by the Institute for International Economics (described above).

Three broad purposes to U.S. economic sanctions are identified: (1) to demonstrate resolve at home and abroad, (2) to punish target countries, and (3) to alter offensive policies.

Sanctions often do not produce the desired change in policy and might even cause a backlash within the target and some irritation to the imposing country's allies. Noted are the unsuccessful U.N. sanctions against South Africa and Rhodesia and U.S. sanctions against a Soviet-European gas pipeline.

Sanctions achieved a degree of success in 30 of the 64 cases. If the target country is internally weak or has no supporting alliances with major world powers, sanctions can force limited policy changes and sometime destabilize governments. Successful sanctions usually have narrowly defined objectives (e.g., the freeze by the United States of Iranian assets) or the target country is already weakened. Sanctions should be applied swiftly and surgically. Financial sanctions are generally more effective than trade sanctions.

The authors conclude that sanctions generally work best if used judiciously to reach modest, well-defined objectives. However, it is very difficult to get countries to make major changes in domestic policies. Sanctions generally work best against small countries.

Kaempfer, William H. and Anton D. Lowenberg. *International* Economic Sanctions/A Public Choice Perspective, Boulder: Westview Press, 1992.

The authors present some historical background on sanctions and develop a theory of motivation for, and effects of, sanctions based on public choice theory.

The modern use of sanctions was pioneered early in this century by the League of Nations and the United Nations. They tried to use sanctions as an instrument of collective security. Now sanctions are used by individual countries as instruments of foreign policy.

There are three common uses of sanctions: (1) against countries that threaten the wealth or security of others, (2) in support of moral or ideological goals (e.g., sanctions against South Africa in the 1980s), and (3) as an appendage to trade policy and commercial relations (e.g., retaliation for protectionism as in recent U.S.-EU conflicts).

The authors argue that countries that adopt economic sanctions are usually motivated by domestic political reasons, not by the prospects for their success in achieving a stated objective. Sanctions must be understood primarily as policies of redistribution enacted in response to interest group pressure in the sanctioning country.

In the target country, sanctions have effects by giving signals to political interest groups and by altering the political equilibrium among them. Investment and financial sanctions are generally ineffective because of the size and efficiency of world markets.

Kaempfer, William H. and Anton Lowenberg. "The theory of International Economic Sanctions: A Public Choice Approach," *American Economic Review*, Sept. 1988.

This is a report of the authors' early work that led to their book, described above. They develop the thesis that governments impose sanctions to serve the interests of domestic political pressure groups. These groups usually seek economic gain or take a moral stance.

Sanctions are often ineffective because substitutes are usually available in the world market. When sanctions are very costly to the imposing country, they are unlikely to be effective. However, sanctions that generate economic hardship for the target often do generate political change.

Lenway, Stephanie Ann. "Between War and Commerce: Economic Sanctions as a Tool of Statecraft," *International Organization*, spring, 1888.

The author observes that past research shows that economic sanctions are generally ineffective at achieving foreign policy objectives; the target country usually has alternatives.

Leyton-Brown, David. "Lessons and Policy Considerations About Economic Sanctions," *The Utility of International Economic Sanctions*, ed. David Leyton-Brown, New York: St. Martin's Press, 1987.

The author discusses the possible objectives of economic sanctions. Domestic politics might compel the government to act and may defuse pressure of more extreme action. Trade sanctions are often porous.

Lossman, Donald. "The Effects of Economic Boycotts" *Lloyd's Bank* Review (no date).

Lossman gives a general discussion of the effects of boycotts and sanctions on the target country. He then reviews the cases of U.S. and OAS sanctions against Cuba, Arabs against Israel, and international sanctions on Rhodesia.

With respect to the Arab League sanctions against Israel, he says sanctions have inflicted substantial costs on Israel. The blacklist has reduced foreign investment in Israel, but the effect is not quantifiable. The boycott on Israel has greatly affected tourism, joint irrigation and soil conservation, and membership in the EU.

Lossman concludes that sanctions impose economic costs, but are often unsuccessful anyway. Hardships are not always converted into change of policy. Sanctions are often evaded and unevenly enforced.

Lundahl, Mats. *Apartheid in Theory and Practice/An* Economic Analysis, Boulder: Westview Press, 1992.

The author presents economic models of the effects of boycotts on South Africa.

Richardson, J. David. *Sizing Up U.S. Export Disincentives*, Washington, DC: Institute for International Economics, 1993.

The author estimates the effects of U.S. export disincentives. Approximately \$21 to \$27 billion annually in exports were foregone in the mid-1990s. The most important export disincentives are export controls for national security or antiproliferation purposes. Policy recommendations to reduce the costs of export disincentives are made.

Sarna, Aaron J. *Boycott and Blacklist/A History of Arab* Economic Warfare Against Israel, Totowa, NJ.: Rowman & Littlefield Publishers, 1986.

This work discusses the origins and history of the boycott and its effects on Israel. The boycott is illegal under international law. Israel has survived and prospered in spite of the boycott. However, the Israeli economy has suffered in the form of lower growth and allocative inefficiency. The costs are not quantifiable but are "undoubtably enormous." Israel's GNP grew on average by 9.3 percent during 1950-74. Israeli Ministry of Finance estimates that during 1972-83 it lost \$6 billion in exports and added \$3.5 billion to its current account deficit. After the 1979 Israel-Egyptian peace treaty, the boycott became less stringent. The Suez Canal and Gulf of Aqaba opened to Israeli commerce and trade with Egypt began.

The blacklist has included some 6300 foreign firms and 600 ships. Much of the world complies with the boycott, reducing Israel's trade opportunities and foreign investment in Israel. The result is that Israel must concentrate its exports in a few markets and pay more for many goods. Israel engages in a great deal of phantom trade to circumvent the secondary boycott. The boycott has led to a great deal of inefficient import substitution by Israel. Much of the world refuses to sell Israel high-technology goods or engage in joint ventures which has retarded Israel's technical development.

The boycott has also cost the Arabs a great deal economically and in international goodwill.

Schott, Jeffrey J. "Economic Sanctions in the Middle East," *Economic Cooperation in the Middle East*, ed. Gideon Fishelson, San Francisco: Westview Press, 1989.

This paper is based on research done at the Institute for International Economics, which is also reported in Hufbauer and Schott (1984) and Hufbauer, Schott, and Elliott (1990). Drawing on 103 cases of sanctions beginning with World War I, the author disputes the conventional view that sanctions are never effective. Sometimes they are effective, and they have to be understood as a state policy that occupies a middle ground between diplomacy and military action. "Trade and financial controls are a way to demonstrate resolve, to express outrage, and to seek to deter further abuses without risking dangerous confrontation or embarrassing humiliation." Their success is very subjective.

Sanctions were found to be "successful" in 36 percent of the cases in making a modest contribution to a goal that was at least partly realized. They are most successful when goals are modest. Sanctions are most likely to succeed if they (1) have a clearly defined and limited objective, (2) are imposed decisively rather than incrementally, and (3) do not cause a substantial cost on the imposing countries and its allies. Also, the probability of success is greater if the target is experiencing economic distress and political instability or if it is an erstwhile friend or close trading partner.

The Arab boycott of Israel was found to impose substantial costs on the Arabs as well as Israel with no achievement of the stated policy goals. The economic effect of the boycott has dissipated over time. The U.S. antiboycott effort has been symbolic rather than effective.

Stanislawski, Howard. "Impact of the Arab Boycott of Israel on the United States and Canada," *The Utility of International Economic Sanctions*, ed. David Leyton-Brown, New York: St. Martin's Press, 1987.

The U.S. and Canada responded differently to the Arab League's boycott. The U.S. response to the boycott has been diplomatic and legal, including the Export Administration Act of 1965 and the Tax Reform Act of 1976. The latter denied tax benefits on international sales for firms that comply with the boycott. The Canadian response entailed "the most limited possible reaction to the problem." Canada wanted to reduce any public scrutiny of the issue and refrained from taking any steps that might adversely affect profit considerations.

Van Bergeuk, Peter A.G. "Success or Failure of Economic Sanctions," *Kyklos*, vol. 42, Fasc. 3.

This is an empirical test of the hypothesis and conventional wisdom that economic sanctions are ineffective. They are believed to be ineffective because of the difficulty in building political will to impose sanctions and of the ease of circumvention.

The author finds that sanctions are sometimes effective. Potential welfare losses enforce compliance with the sanctions. There is no positive relationship between the duration of a sanction and its success, but sanctions are more successful against a politically weak government. The greater the pre-sanction trade linkage between the imposing country and the target country, the greater the probability that sanctions will be successful.

APPENDIX E
U.S. TRADE WITH ISRAEL AND ARAB LEAGUE COUNTRIES

U.S. Trade With Israel and Arab League Countries

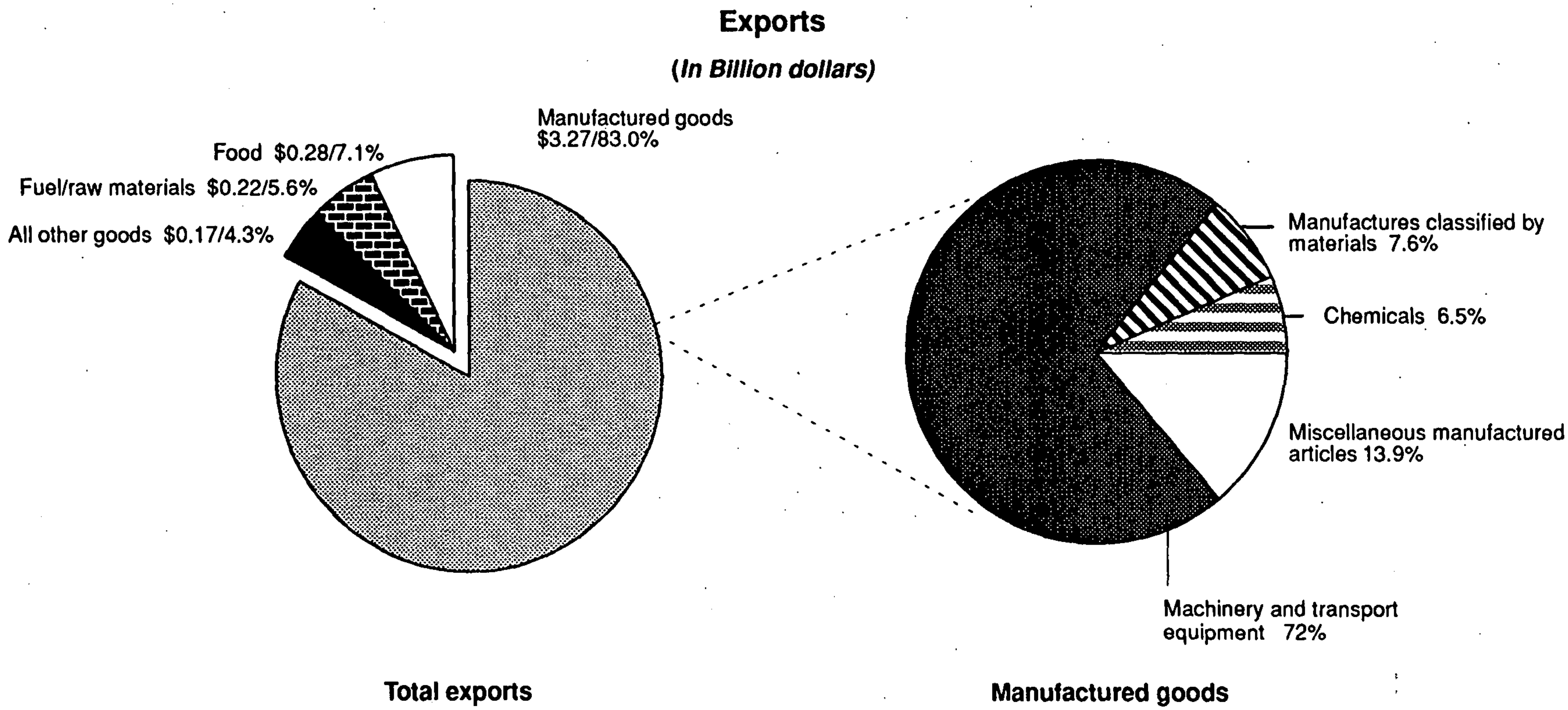
During 1993, total U.S. bilateral merchandise trade (exports plus imports) with the Arab League countries (excluding, Egypt and Somalia) and with Israel combined represented 3.4 percent of worldwide U.S. trade. U.S. trade with these countries amounted to 3.9 percent of worldwide U.S. exports and U.S. imports from these countries equalled 3.0 percent of worldwide U.S. imports.

Over the past five years, bilateral merchandise trade between the United States and Israel grew by 41.2 percent, from $5.9 billion during 1989 to $8.4 billion during 1993. U.S. exports to Israel increased by 46.6 percent, from $2.7 billion to $4.0 billion over the 5-year period, whereas U.S. imports from Israel grew by 36.7 percent, from $3.2 billion to $4.4 billion. The U.S. trade deficit with Israel amounted to $471.6 million during 1993. Manufactured goods comprise the bulk of both exports and imports (figures E-1 and E-2).

Merchandise trade between the United States and the Arab League countries participating in nonprimary boycotts increased by 13.2 percent, from $23.2 billion during 1989 to $26.3 billion during 1993. U.S. exports to this group of countries grew by 41.1 percent during 1989-93, from $9.5 billion to $13.4 billion, but U.S. imports from the group declined by 6.1 percent, from $13.8 billion to $12.9 billion. During 1993, the United States registered a surplus of $472.3 million in trade with these countries. Although manufactured goods make up the bulk of U.S. exports to the group, mineral fuels dominate U.S. imports from the group (figures E-3 and E-4). During 1993, the group accounted for over one-fourth of the total volume of U.S. crude petroleum imports (*Harmonized Tariff Schedule of the United States* (*HTS*) heading 2709).

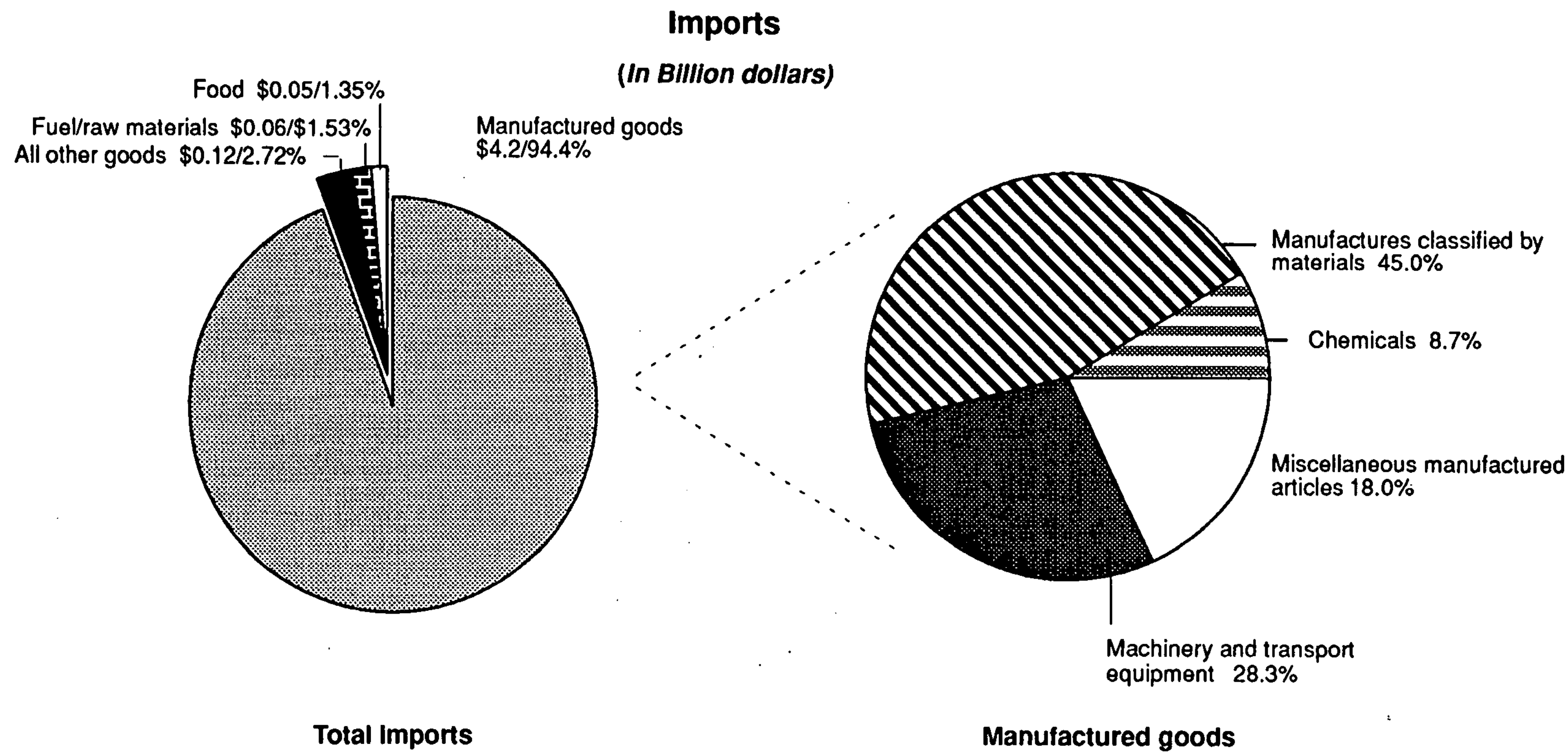
Saudi Arabia is by far the largest U.S. trading partner among the Arab League countries. Based on 1993 data, Kuwait was the second largest partner, followed by the United Arab Emirates and Algeria. Tables E-1 and E-2 show U.S. exports to and U.S. imports from the selected Arab League countries, respectively. Particularly noteworthy is the drop in Saudi crude petroleum shipments (*HTS* heading 2709) to the United States and the parallel rise of those shipments from Kuwait. U.S. petroleum imports from Saudi Arabia declined from $9.4 billion (585 million barrels) during 1992 to $7.0 billion (476 million barrels) during 1993. Over the same period, U.S. imports of crude petroleum from Kuwait increased from $238 million (15 million barrels) to $1.7 billion (128 million barrels). The trend of declining shipments from Saudi Arabia and of increasing shipments from Kuwait continued during the first 6 months of 1994. This was due, in large part, because Saudi Arabia pledged to increase its own production to maintain Kuwait's market share to the United States during the Gulf Crisis and to continue that level of production until after Kuwait's liberation and recovery of its petroleum production facilities. Tables E-3 through E-6 provide detailed U.S. trade activity with the boycotting countries and with Israel.

Figure E-1
U.S. exports to Israel by product sectors, 1993



Source: Compiled from official statistics of the U.S. Department of Commerce.

Figure E-2
U.S. imports from Israel by product sectors, 1993

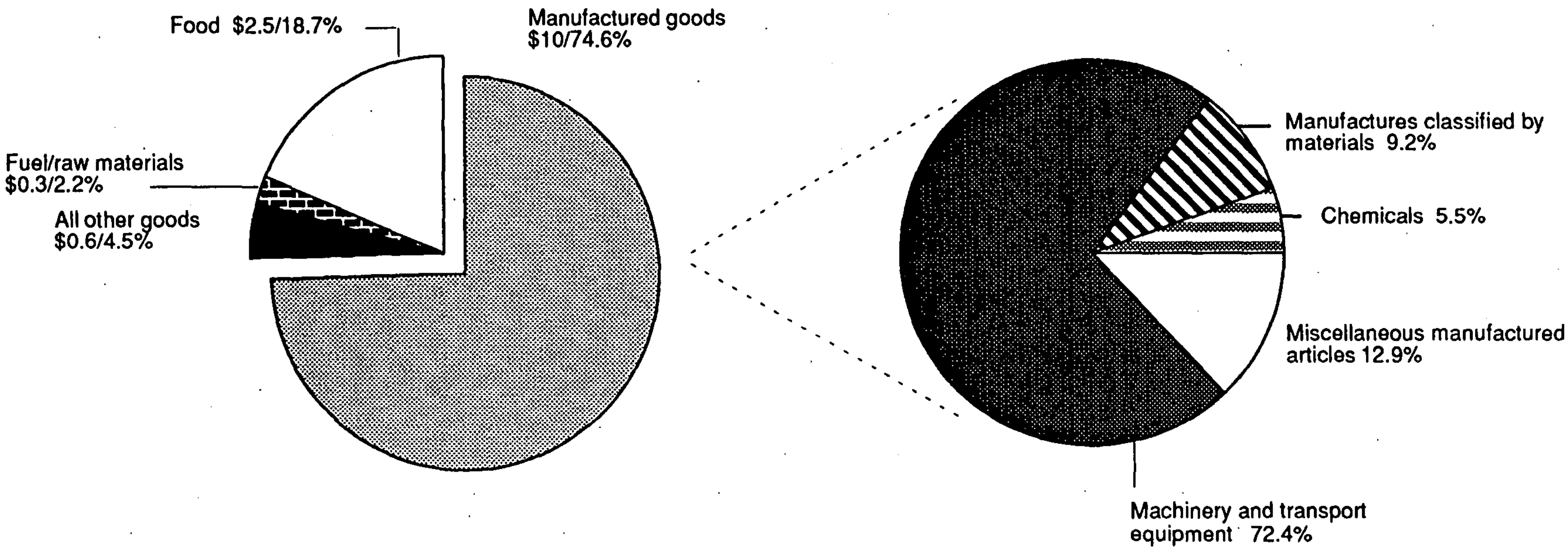


Source: Compiled from official statistics of the U.S. Department of Commerce.

Figure E-3
U.S. exports to the Arab League countries[1] by product sectors, 1993

Exports

(In Billion dollars)

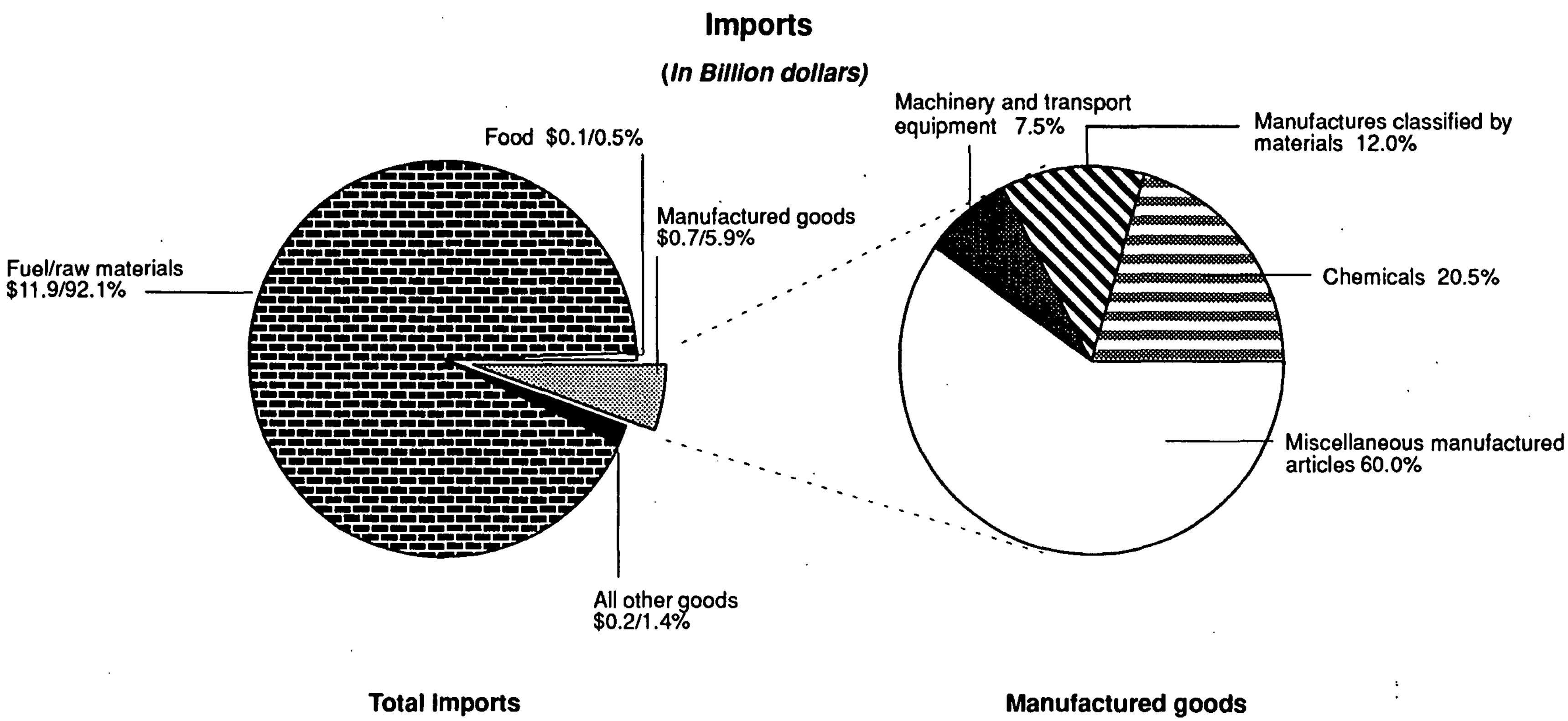


Total exports **Manufactured goods**

[1] Data excludes Egypt and Somalia.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Figure E-4
U.S. imports from Arab League countries[1] by product sectors, 1993



[1] Data excludes Egypt and Somalia.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table E-1
U.S. exports of domestic merchandise to Arab League countries, 1989-93
(1,000 dollars, f.a.s. value)

Country	1989	1990	1991	1992	1993
Algeria	757,800	946,713	726,379	674,343	897,118
Bahrain	486,849	716,022	493,517	480,159	649,108
Djibouti	3,125	7,373	9,975	10,587	12,953
Iraq	1,146,724	712,052	181	497	4,016
Jordan	373,443	308,724	218,941	247,977	361,484
Kuwait	843,841	390,442	1,187,940	1,293,622	986,038
Lebanon	92,086	97,387	162,844	307,581	370,142
Libya	3	19	90	0	241
Mauritania	12,511	14,462	21,576	58,432	19,170
Morocco	378,681	484,553	398,825	486,036	597,236
Oman	168,272	161,365	197,653	251,288	248,647
Qatar	98,556	108,637	142,912	180,976	162,783
Saudi Arabia	3,495,164	3,958,040	6,441,524	7,023,635	6,524,761
Sudan	79,615	41,687	92,158	51,606	52,556
Syria	91,419	150,055	205,039	166,023	184,968
Tunisia	159,847	178,000	168,088	229,460	229,868
United Arab Emirates	1,226,312	984,104	1,391,726	1,512,890	1,774,803
Yemen	78,428	110,439	189,403	320,549	316,791
Total	9,492,673	9,370,074	12,048,771	13,295,660	13,392,681

Note.—Because of rounding, figures may not add to the totals shown.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table E-2
U.S. imports for consumption from Arab League countries, 1989-93
(1,000 dollars, customs value)

Country	1989	1990	1991	1992	1993
Algeria	1,840,181	2,651,577	2,099,661	1,579,997	1,589,801
Bahrain	79,580	80,476	86,677	60,955	99,283
Djibouti	115	2	53	0	28
Iraq	2,328,163	3,018,115	7,481	0	0
Jordan	8,657	11,667	6,095	18,031	18,793
Kuwait	997,478	567,059	35,911	281,276	1,809,081
Lebanon	35,608	26,405	26,818	26,522	27,819
Mauritania	10,159	23,868	11,419	8,539	6,451
Morocco	97,699	108,288	152,649	177,749	185,045
Oman	116,472	291,705	114,822	185,103	279,341
Qatar	50,307	52,783	29,686	69,631	64,719
Saudi Arabia	7,081,853	9,964,557	10,960,525	10,293,645	7,814,815
Sudan	19,803	15,819	15,380	11,357	11,757
Syria	98,001	52,184	24,768	37,533	140,746
Tunisia	56,302	31,900	33,387	46,522	39,717
United Arab Emirates	681,771	900,584	713,821	810,283	731,690
Yemen	252,682	398,984	116,081	37,260	101,250
Total	13,754,829	18,195,974	14,435,233	13,644,403	12,920,335

Note.—Because of rounding, figures may not add to the totals shown.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table E-3
Leading U.S. exports to Israel, by Schedule B subheading, 1989-93

(1,000 dollars, f.a.s. value)

Schedule B subheading	Description	1989	1990	1991	1992	1993
8802.30	Airplanes and other aircraft, of an unladen weight exceeding 2000 kg but not exceeding 15,000 kg	42,957	10,580	35,368	561,036	519,851
8803.30	Parts of airplanes or helicopters, nesoi	215,737	183,393	240,819	174,135	141,034
8529.90	Parts suitable for use solely or principally with the apparatus of headings 8525 to 8528, excluding antennas and antenna reflectors of all kinds	46,646	51,435	68,005	71,944	137,233
8703.23	Passenger motor vehicles with spark-ignition internal-combustion reciprocating piston engine, over 1,500 but n/o 3,000 cc	1,037	15,535	52,011	108,545	120,877
8802.40	Airplanes and other aircraft, of an unladen weight exceeding 15,000 kg	0	48,762	79,809	0	110,563
9880.00	Estimated low value shipments	53,771	87,964	106,438	98,400	105,490
1201.00	Soybeans, whether or not broken	76,043	84,024	103,365	110,191	102,202
8803.20	Undercarriages and parts thereof of heading 8801 or 8802	25,331	37,556	64,392	102,731	101,242
1001.90	Wheat (other than durum wheat), and meslin	85,167	71,223	66,362	94,408	84,869
8473.30	Parts and accessories for adp machines and units	43,896	53,209	75,835	78,942	76,097
8471.91	Digital processing units which may contain in the same housing one or two storage units, input units or output units	57,470	58,630	66,067	58,198	71,214
8517.90	Parts of telephonic or telegraphic apparatus	2,643	5,963	5,843	27,444	60,400
2402.20	Cigarettes containing tobacco	35,551	36,550	37,644	48,139	53,696
8542.11	Digital monolithic integrated circuits	32,024	56,024	41,223	40,027	52,183
8502.30	Generating sets, electric, nesoi	0	0	0	162	39,160
2710.00	Petroleum oils and oils obtained from bituminous minerals, other than crude; preparations not elsewhere specified or included	28,741	42,258	30,471	15,855	39,144
8525.20	Transmission apparatus incorporating reception apparatus	38,257	13,299	23,114	24,200	37,724
1005.90	Corn (maize), other than seed corn	30,152	35,549	36,471	48,197	37,310
9006.30	Cameras for underwater, aerial survey, medical, etc	36	11	29	0	37,093
8411.91	Turbojet and turbopropeller parts	49,005	20,445	18,071	36,269	36,164
9803.20	Military equipment, not identified by kind	10,109	6,862	6,954	8,959	34,633
8710.00	Tanks and other armored vehicles, motorized, whether or not fitted with weapons, and parts of such vehicles	77,715	78,468	87,633	65,801	34,406
8548.00	Electrical parts of machinery nesoi	15,210	22,941	20,787	17,322	32,269
8411.82	Gas turbines of a power exceeding 5,000 kw	3,500	35,247	1,595	4,471	31,166
9030.90	Parts and accessories of oscilloscopes, spectrum analyzers and other instruments and apparatus for measuring or checking electrical quantities, excluding meters of heading 9028	6,526	4,718	9,620	5,531	30,478
2701.12	Bituminous coal, not agglomerated	19,087	25,187	25,972	32,235	29,546
9306.90	Bombs, grenades, torpedoes, mines, missiles and similar munitions of war and parts thereof nesoi	40,536	57,845	53,572	28,686	27,176
3818.00	Chemical elements doped for use in electronics, in the form of discs, wafers or similar forms	1,790	6,902	10,448	19,808	24,285
8402.90	Parts of steam- or other vapor-generating boilers	4,430	18,609	45,256	24,630	24,184

See footnote at end of table.

Table E-3—Continued
Leading U.S. exports to Israel, by Schedule B subheading, 1989-93

(1,000 dollars, f.a.s. value)

Schedule B subheading	Description	1989	1990	1991	1992	1993
4804.11	Kraftliner, uncoated, unbleached, in rolls or sheets	25,291	30,200	25,685	29,671	22,641
	Total of items shown	1,068,659	1,199,388	1,438,859	1,935,939	2,254,331
	Total all commodities	2,696,621	2,893,599	3,499,001	3,657,140	3,952,076

Note.—Because of rounding, figures may not add to the totals shown.
Source: Compiled from official statistics of the U.S. Department of Commerce.

Table E-4
Leading U.S. imports from Israel, by HTS subheading, 1989-93

(1,000 dollars, customs value)

Schedule B subheading	Description	1989	1990	1991	1992	1993
7102.39	Diamonds, nonindustrial, worked	1,282,848	1,166,005	1,192,226	1,286,837	1,603,495
7113.19	Jewelry and parts thereof, of other precious metal	134,260	148,312	207,409	257,653	254,634
9801.00	Imports of articles exported & returned, no change	59,997	102,350	79,117	70,182	100,827
8517.90	Parts of telephonic or telegraphic apparatus	47,502	38,618	53,540	97,290	99,560
8525.20	Transmission apparatus incorporating reception apparatus	57,519	50,346	47,770	107,461	95,971
8473.30	Parts and accessories for adp machines and units	33,568	68,250	98,099	120,211	93,616
8542.11	Digital monolithic integrated circuits	64,388	93,361	141,475	150,530	91,912
8803.30	Parts of airplanes or helicopters, nesoi	64,171	82,975	132,275	84,474	78,974
8442.40	Parts of machines and equipment for making printing blocks, etc.	268	43	365	5,613	58,192
6110.20	Sweaters, pullovers, sweatshirts, waistcoats and similar articles nesoi of cotton	8,217	16,557	34,506	38,540	52,988
3004.90	Medicaments nesoi	699	1,674	9,434	12,867	51,967
8802.30	Airplanes and other aircraft, of an unladen weight exceeding 2,000 kg but not exceeding 15,000 kg	50,239	70,638	54,331	33,855	47,278
8471.92	Input or output units for adp machines	8,973	14,949	8,009	6,024	42,961
8411.91	Turbojet and turbopropeller parts	36,564	53,737	55,584	54,785	40,832
6104.62	Women's or girls' trousers, overalls, and shorts of cotton	6,316	16,957	26,336	35,537	37,070
8529.90	Parts suitable for use solely or principally with the apparatus of headings 8525 to 8528, excluding antennas and antenna reflectors of all kinds	19,998	19,133	21,980	24,020	34,213
2710.00	Petroleum oils and oils obtained from bituminous minerals, other than crude; preparations not elsewhere specified or included	13,562	29,956	26,708	19,807	33,325
8517.30	Telephonic or telegraphic switching apparatus	1,223	3,383	4,249	4,861	33,186
9018.19	Electro-diagnostic apparatus nesoi, and parts thereof	15,834	13,961	23,158	19,786	31,183
7103.91	Rubies, sapphires and emeralds, otherwise worked	33,240	23,132	22,895	24,017	30,726
8533.21	Electrical fixed resistors, other than heating resistors, for a power handling capacity not exceeding 20 W	11,353	15,363	19,490	24,586	23,329
3104.20	Potassium chloride	25,671	29,777	18,044	12,543	22,237
6109.10	T-shirts, singlets, tank tops, knitted or crocheted, of cotton	10,052	15,543	15,297	32,835	22,120
9306.90	Bombs, grenades, torpedoes, mines, missiles and similar munitions of war and parts thereof	6,923	6,561	11,512	22,810	21,199
8471.99	Units of automatic data processing machines, nesi	7,671	6,629	5,671	6,254	20,472
4011.91	New pneumatic tires of rubber nesoi, with herring-bone tread	389	12,537	15,030	20,534	18,669
9018.90	Medical, surgical, dental or veterinary sciences instruments, appliances, and parts and accessories thereof, nesi	12,260	19,457	15,876	13,334	18,189
8517.81	Telephonic apparatus nesoi	386	2,636	8,794	12,435	17,570
8209.00	Plates, sticks, tips and the like for tools, unmounted, of sintered metal carbides or cermets	1,382	10,023	8,718	13,339	17,107
2921.43	Toluidines (aminotoluenes) and their derivatives	5,196	8,421	17,702	19,495	16,748
	Total of items shown	2,020,668	2,141,284	2,375,602	2,632,512	3,110,548
	Total all commodities	3,235,744	3,308,258	3,495,127	3,811,797	4,423,680

Note.—Because of rounding, figures may not add to the totals shown.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table E-5
Leading U.S. exports to Arab League[1] countries, by Schedule B subheading, 1989-93
(1,000 dollars, f.a.s. value)

Schedule B subheading	Description	1989	1990	1991	1992	1993
8803.30	Parts of airplanes or helicopters, nesoi	322,064	287,949	324,090	499,485	616,116
8703.24	Passenger motor vehicles with spark-ignition internal-combustion reciprocating piston engine, cylinder capacity over 3,000 cc	530,391	526,534	790,963	795,833	606,499
1001.90	Wheat (other than durum wheat), and meslin	596,547	381,888	256,479	282,658	578,876
2402.20	Cigarettes containing tobacco	449,985	489,116	431,300	504,376	562,609
8703.23	Passenger motor vehicles with spark-ignition internal-combustion reciprocating piston engine, over 1,500 but n/o 3,000 cc	109,995	113,630	279,364	484,725	524,245
8802.40	Airplanes and other aircraft, of an unladen weight exceeding 15000 kg	644,849	613,708	542,273	404,775	469,013
8431.43	Parts for boring or sinking machinery, nesoi	260,281	290,891	448,819	544,262	456,437
8704.31	Motor vehicles for transporting goods, with spark-ignition internal-combustion piston engine, G.V.W. not exceeding 5 metric tons	41,528	78,075	315,508	318,936	451,223
1005.90	Corn (maize), other than seed corn	330,476	387,816	331,367	259,360	339,671
8710.00	Tanks and other armored vehicles, motorized, whether or not fitted with weapons, and parts of such vehicles	62,003	43,286	87,700	259,097	205,280
9880.00	Estimated low value shipments	95,458	145,397	163,114	182,633	184,740
8411.99	Gas turbine parts nesoi	36,748	45,155	60,632	98,723	180,134
9803.20	Military equipment, not identified by kind	83,959	127,622	221,700	208,831	169,360
9801.10	Value of repaired or altered articles previously imported	114,894	171,234	178,986	112,129	168,705
9306.90	Bombs, grenades, torpedoes, mines, missiles and similar munitions of war and parts thereof nesoi	50,817	80,394	116,170	123,825	165,116
2304.00	Soybean oilcake and other solid residue, whether or not ground	226,945	154,140	120,503	130,690	141,672
1006.30	Rice, semi- or wholly milled, whether or not polished or glazed	263,804	214,152	103,964	120,462	128,821
8431.39	Parts for lifting, handling, loading and unloading machines nesoi	73,270	48,552	65,952	101,985	125,769
1507.10	Crude soybean oil, whether or not degummed	64,970	35,514	76,415	115,532	120,139
8704.32	Motor vehicles for the transport of goods, with spark-ignition internal-combustion piston engine, G.V.W. exceeding 5 metric tons	8,801	43,342	197,081	208,048	103,210
8415.90	Parts, nesoi, of air conditioning machines	47,489	60,982	85,593	80,633	94,901
5703.20	Carpets and other textile floor coverings tufted of nylon or polyamides	54,370	64,086	75,596	78,804	91,073
8415.82	Air conditioning machines, incorporating a refrigeration unit	48,729	56,621	62,730	86,061	85,730
8802.12	Helicopters of an unladen weight exceeding 2,000 kg	3,590	16,114	3,500	48,468	84,000
1001.10	Durum wheat	25,821	44,214	45,948	27,662	76,064
8414.30	Compressors used in refrigerating equipment	63,342	50,762	59,615	68,356	70,122
8708.99	Parts and accessories of motor vehicles, nesoi	65,430	60,552	94,064	72,811	68,926
8414.80	Air and gas pumps, compressors and fans, etc. nesoi	1,970	33,862	20,463	24,500	68,018
8705.90	Special purpose motor vehicles, nesoi	18,905	15,343	69,577	65,446	67,324
8471.91	Digital processing units which may contain in the same housing one or two storage units, input units or output units	26,638	38,549	77,393	49,139	66,472
	Total of items shown	4,724,071	4,719,479	5,706,860	6,358,242	7,070,267
	Total all commodities	9,492,673	9,370,074	12,048,771	13,295,660	13,392,681

[1] Data excludes Egypt and Somalia.
Note.—Because of rounding, figures may not add to the totals shown.
Source: Compiled from official statistics of the U.S. Department of Commerce.

Table E-6
Leading U.S. imports from Arab league[1] countries, by HTS subheading, 1989-93
(1,000 dollars, customs value)

HTS subheading	Description	1989	1990	1991	1992	1993
2709.00	Petroleum oils and oils obtained from bituminous minerals, crude	10,639,252	13,780,888	10,901,315	10,279,362	9,451,699
2710.00	Petroleum oils and oils obtained from bituminous minerals, other than crude; preparations not elsewhere specified or included	2,294,490	3,418,874	2,722,856	2,312,908	1,999,267
9801.00	Imports of articles exported & returned, no change	84,973	89,645	71,402	88,542	169,326
2711.12	Propane, liquefied	45,653	132,065	67,850	72,346	160,980
2711.11	Natural gas, liquefied	59,295	137,040	92,849	78,516	143,509
6205.20	Men's or boys' shirts, of cotton	8,076	13,299	15,797	56,118	77,630
6204.62	Women's or girls' trousers overalls, and shorts, of cotton	24,830	57,227	50,601	84,956	76,115
2207.10	Undenatured ethyl alcohol of an alcoholic strength by volume of 80 percent volume or higher	59,069	42,800	34,025	62,262	71,350
2711.13	Butanes, liquefied	28,105	40,453	34,917	23,902	70,886
6203.42	Men's or boys' trousers overalls, and shorts, of cotton	10,976	20,063	18,684	48,821	41,462
6206.30	Women's or girls' blouses, shirts and shirt blouses, of cotton	4,340	3,498	2,810	12,708	28,644
2510.10	Natural calcium phosphates, aluminum calcium phosphates and phosphatic chalk, unground	25,586	18,997	23,737	45,370	27,866
5209.12	Woven fabrics of cotton, three or four thread twill including cross twill	0	0	3,098	14,564	23,051
8534.00	Printed circuits	40	9	0	986	19,360
2909.19	cyclic ethers (excluding diethyl ether) nesoi	14,183	20,000	32,663	29,680	19,273
7113.19	Jewelry and parts thereof, of other precious metal	19,764	13,299	12,744	14,538	17,388
2814.10	Anhydrous ammonia	20,137	1,392	0	0	15,755
6110.20	Sweaters, pullovers, sweatshirts, waistcoats and similar articles nesoi	2,384	12,447	8,406	16,925	15,600
2530.90	Mineral substances nesoi	32	51	10	16	15,116
6211.43	Women's or girl's other garments of man-made fibers	856	485	3,565	11,943	14,789
6201.92	Men's or boy's anoraks, windbreakers and similar articles, of cotton	2,420	3,160	2,574	5,109	14,739
7606.12	Aluminum plates, sheets and strip, of aluminum alloys, thicknes > 0.2 mm	28,830	25,761	3,311	11,086	14,686
1604.16	Anchovies, prepared or preserved, not minced	3,504	5,311	11,178	11,194	14,593
9999.95	Estimated imports of low valued transactions	33,221	29,982	6,428	9,458	14,593
6109.10	T-shirts, singlets, tank tops, knitted or crocheted, of cotton	6,289	10,419	8,018	14,206	14,297
2905.11	Methanol (methyl alcohol)	10,929	8,162	13,329	16,801	11,772
6211.33	Men's or boys' other garments of manmade fibers	8	309	1,171	2,511	9,943
3102.10	Urea, whether or not in aqueous solution	23,708	3,223	3,361	0	9,611
8541.10	Diodes excluding photosensitive or light-emitting diodes	4,712	7,040	11,165	7,520	8,232
6108.31	Women's or girls' nightdresses and pajamas, of cotton	677	1,869	2,713	3,971	7,205
	Total of items shown	13,456,342	17,897,768	14,160,576	13,336,322	12,578,740
	Total all commodities	13,754,829	18,195,974	14,435,233	13,644,403	12,920,335

[1] Data excludes Egypt and Somalia.

Note.—Because of rounding, figures may not add to the totals shown.

Source: Compiled from official statistics of the U.S. Department of Commerce.