The Anti-Boycott Snare

Democrats have set a perverse snare for President Ford in that tattered jumble of reward-punishment legislation euphemistically called the tax “reform” bill, which Congress will send to the Oval Office sometime soon.

The snare, inserted by Senator Ribicoff, would inflict tax penalties on American companies that participate in the Arab boycott of Israel. On any such boycott-related dealings, they would lose rights to credit foreign taxes against U.S. taxes, to defer taxes on unrepatriated earnings and to defer taxes on half of the earnings of DISC exports.

It presents the President with an election year dilemma: If he signs a tax bill with such a provision, he will be setting the dangerous precedent of turning the tax code into an instrument of law enforcement and foreign policy; if he vetoes the bill, he will risk alienating Jewish voters and going before the electorate in November without any tax bill at all, possibly to be blamed for expiration of the 1975 tax reductions.

There is, of course, general agreement in the U.S. that the Arab boycott is a bad thing. We ourselves have said so in this space a good many times and have encouraged the administration in its efforts to undermine the boycott.

But to anyone who is knowledgeable in the matter, the Ribicoff amendment has a suspicious look. Three administration departments, Commerce, State and Justice, are already taking a tough line on the boycott, using administrative rules and the antitrust laws. Congress has before it amendments to the Export Administration Act which would further strengthen government powers to deal with any company that cooperates with the boycott.

These, of course, are the ways to deal with a problem which has foreign and domestic policy implications but nothing at all to do with means by which the government raises revenues. Even if more drastic weapons than these were called for, there would still be little justification for starting down the road of withdrawing tax benefits from American citizens or corporations as punishment for alleged misdeeds. At the end of this road is the ultimate carrot and stick manipulation of taxpayers by the government through administrative measures subject to enormous abuses of power.

As it happens, the Arab boycott has been a problem more of symbolism than substance. It is indeed distasteful for Americans and American companies to be confronted by foreign governments with dicta that deny them trade if they do not deal with Israel, or employ Jews or deal with corporations that do so. In fact Arab nations themselves ignore the provisions of the boycott when it suits their purposes. And American companies are in a position now to tell Arab governments that their own government forbids them from entering into agreements that are discriminatory.

There is a further question of how far a government should go in punishing corporations and individuals that are victims as well as instruments of the policies of foreign governments. The U.S. is justified in taking a tough stand on this issue but it should always be understood that the primary malefactor are the Arab governments, not those who find it expedient to accede to their demands. Beyond this there are questions to be raised about whether the Ribicoff provision constitutes clear and enforceable law or is simply a device for harassment.

Certainly it has overtones that go beyond the usual election year fun and games. The penalties look very much like those incorporated in the broader efforts, under the labor-inspired Burke-Hartke bill, to discourage U.S. multinational corporations from expanding abroad. Since oil companies are the biggest traders with the Arabs, the provision also smacks of the oil lobby-inspired Burke-Hartke bill, to discourage U.S. multinational corporations from expanding abroad. Since oil companies are the biggest traders with the Arabs, the provision also smacks of the oil company baiting that has become so popular on Capitol Hill.

The President faces a tough decision. While the 1975 tax cuts were nothing to brag about, letting tax rates rise doesn’t have much to recommend it either. But even if the President feels compelled to sign this bad bill, he will at least have one more example to show the voters of how this Congress seems willing to turn an important principle on its ear, just for the purpose of gratifying its devil theorists.