

**Remarks As Prepared for Delivery by Assistant Secretary
for Export Enforcement Matthew S. Axelrod to the
American Jewish Committee**
October 6, 2022

Thank you, Jason, for that kind introduction. I am honored to be with you tonight here at AJC. As President Biden has proclaimed, this administration is committed to giving “hate no safe harbor.” AJC has shared that commitment since its founding, as a consistent and powerful voice in the fight against hate. Your recent Call to Action Against Antisemitism provides detailed recommendations for how we collectively – whether as individuals, as a society, or as government officials – can work to combat antisemitism in all its forms.

Yesterday, during Yom Kippur, I reflected on the past year. Among other things, I thought about forgiveness and reconciliation. I thought about what the month of Tishrei signifies – a new year, a new beginning, and an opportunity to renew our commitment to our ideals and to each other. And it’s in that spirit of renewal that I come to speak with you tonight, to let you know about changes that we’re making to strengthen our enforcement of the country’s antiboycott rules.

It may surprise some of you to learn that the Arab League’s economic boycott of Israel is actually older than Israel itself. It’s true. The boycott of Israel existed before Israel existed. Israel was born in 1948, when it won its war for independence. At the time of Israel’s birth, the Arab League boycott had already been in place for two years, having begun in 1946 as a boycott of Jewish goods and services in British-

controlled Palestine. The initial Arab League announcement of the boycott tellingly proclaimed that “Jewish products and manufactured goods shall be considered undesirable to the Arab countries.” Not “Israeli products and manufactured goods,” but “Jewish products and manufactured goods.” In other words, from its inception, the Arab League boycott was aimed not at Israelis (who did not yet exist as a people) but at Jews.

While today, years later, Israel has flourished into an advanced market economy, that path was far from assured. The Arab League’s original objective was to put Israel out of business and thus out of existence.

In Israel’s early years, those efforts had tangible impact. In 1959, Renault ceased business in Israel based on a promise from the Arab Boycott Office that its name would be removed from the ‘blacklist’ if it would agree to breach its contract to supply Israel with automobile parts. In the mid-1960s, carmakers Toyota, Nissan, Honda, and Mazda also boycotted. And it wasn’t just cars. In 1971, you could buy a Big Mac in Costa Rica, Japan, or Australia. But it wasn’t until more than twenty years later that you could finally buy one in Israel; the delay due to McDonald’s participation in the boycott.

While the Arab League was attempting to strangle Israel economically, the United States was taking action to blunt the boycott’s impact. U.S. legislative action related to the Arab League boycott dates from 1959 and includes multiple statutory provisions expressing U.S. disapproval of it, usually in foreign assistance legislation. In 1977, Congress passed legislation making it illegal for U.S. companies to cooperate with the

boycott and authorizing the imposition of civil and criminal penalties against U.S. violators.

The subsequent passage of the Export Administration Act (or EAA) in 1979 provided the Commerce Department with the legal authority to control U.S. exports for reasons of national security and foreign policy. The antiboycott provisions of that act, and its successor, the Export Control Reform Act of 2018, prohibit U.S. companies from taking certain actions in support of any unsanctioned foreign boycott of a country friendly to the United States, including the Arab League boycott of Israel. The provisions also prohibit U.S. persons from complying with certain requests for information designed to verify compliance with the boycott.

Shortly after the enactment of the EAA, the Commerce Department established the Office of Antiboycott Compliance, which, for over four decades now, has enforced the antiboycott provisions. The Office of Antiboycott Compliance – or OAC, as we call it – helps ensure that U.S. firms aren't used to implement boycott policies of other nations that run counter to the foreign policy interests of the United States.

In the last ten years alone, OAC has brought over 50 enforcement actions against those who have furthered the Arab League boycott of Israel. OAC's enforcement efforts have disincentivized and diminished participation by U.S. companies in boycott-related activity. But, unfortunately, OAC's work is not done.

* * *

There is good news to report. A number of Arab League members have formally terminated their participation in the Arab League Boycott of Israel, realizing that their national security, political stability, and economic prosperity are better served through improved diplomatic relations with Israel.

Egypt renounced the boycott as part of the treaty of peace with Israel in 1979. Jordan dropped the boycott as part of its treaty with Israel in 1994. The countries of the Gulf Cooperation Council (GCC) – including Kuwait, Oman, Qatar, and Saudi Arabia – announced in September 1994 that they no longer would adhere to what they considered to be the secondary and tertiary aspects of the boycott.

The 2020 Abraham Accords normalized relations between Israel and the UAE and Bahrain, ending their participation in the boycott. More recently, Morocco and Sudan have renounced the boycott and normalized or taken steps to enhance their relations with Israel. The UAE and Israel now share diplomatic relations, tourism exchanges, and since May, even a Free Trade Agreement. Trade between the two is booming. Bahrain and Morocco have similarly established strong relationships with Israel and begun to realize economic benefits from enhanced cooperation.

But some Arab States continue to move in the wrong direction. Holdouts, like Assad's Syria, have categorically rejected "normalization" with Israel. And in May, Iraq passed a law that even criminalizes normalization of relations with Israel.

AJC describes antisemitism as the world's oldest hatred. The recent doubling down on anti-Israeli sentiment by countries like Syria and Iraq comes at a time of shocking growth in antisemitism, both here in the United States and around the globe. In 2021, for example, your colleagues in fighting antisemitism at the Anti-Defamation League tabulated 2,717 antisemitic incidents throughout the United States. It's the highest number on record since ADL first began tracking such incidents back in 1979. And it represents a staggering 34% increase from 2020. That means that in a single year – last year – antisemitic incidents in this country rose by over a third. Even more sobering is that, according to AJC's State of Antisemitism in America report, one in four American Jews were victims of antisemitism last year.

And the resurgence of antisemitism is not limited to the United States. In France, Canada, the UK, and Germany, for example, there has been a significant increase in antisemitic incidents. Just like the early days of the boycott movement, antisemitism too often manifests itself in attempts to delegitimize Israel, through conspiracy theories and discourse that dehumanizes the Jewish people.

* * *

Given the remaining anti-Israel holdouts, as well the seriousness of this rise in antisemitism, I want to ensure that we in the Commerce Department are doing what we can to have the strongest possible antiboycott enforcement program. That's why, today, I'm announcing four changes designed to enhance compliance, increase transparency, incentivize deterrence, and

compel accountability for those who violate our nation's antiboycott rules. These four changes are reflected in a policy memo that I sent to my entire workforce this afternoon.

First, within the existing regulatory framework, we're going to be imposing higher penalty amounts for violations. Violations of the antiboycott rules cause real harm to the United States, both to our core principle of nondiscrimination and to our foreign policy interests. Our regulations divide the various types of antiboycott violations into three tiers by relative seriousness – Category A, Category B, and Category C. Going forward, for the most serious violations, that is, Category A violations, we will begin our penalty calculus at the statutory maximum penalty of a little more than \$328,000. Before, we only used this maximum penalty as the starting point for a small subset of violations. Now, we will do so across the board for all of Category A. And we're increasing penalties for violations of Categories B and C as well. To be clear, we're not raising penalties just to raise penalties. We're doing it because penalties send a message and drive behavior. They must be high enough to hold accountable those who violate the antiboycott rules. And they must be high enough to deter people from violating the rules in the first place.

Second, because we'll now be using the maximum penalty as the starting point for all Category A penalty calculations, we need to ensure that the violations we include in Category A are the ones we view as the most serious. As OAC has evaluated cases over time, it has determined that the current categories do not always correlate with the appropriate comparative degree of seriousness. To ensure we have the right violations in the right

categories, we put updated regulations on public display earlier today that go into effect tomorrow. By recategorizing violations to reflect our current view of their relative seriousness, we can make sure that the most serious violations are paired with the most serious penalties.

Third, we're no longer going to permit companies that wish to settle antiboycott matters to do so without admitting that they actually engaged in the conduct at issue. Instead, we will now require those who violate the antiboycott rules to admit to their conduct in order to obtain a resolution. In other words, the days of "no admit/no deny" settlements are in the past. We're making this change for several reasons. First, no admission means no admitted statement of facts explaining what got the company in trouble. Without this explanation, it is more difficult for other companies to learn from their peers' mistakes. Second, companies get a significant reduction in penalty when they resolve matters short of trial. We want companies to resolve matters and we want to incentivize them to do so. But in other enforcement contexts, including in our administrative export enforcement cases, companies must admit their conduct in order to obtain a resolution. The same is now true in administrative antiboycott enforcement cases as well.

And fourth, we are renewing our focus on foreign subsidiaries of U.S. companies. Under our legal authorities, violations of our antiboycott rules can only result in consequences being imposed on the U.S. parties receiving the boycott-related requests and not on the foreign parties making them. Those penalties help to deter U.S. companies from acquiescing to boycott-related requests by attaching significant

costs on the back end. But this is only one side of the equation. We want to dissuade foreign parties from making these requests in the first place. That’s why, going forward, we will be more aggressive in exploring ways to deter such behavior – in particular, by renewing our focus on foreign subsidiaries of U.S. companies when they act in violation of our antiboycott regulations.

* * *

President Biden has called all of us to stand up to antisemitism – a hatred that is “constantly lurking in the shadows.” With these policy changes, the Commerce Department is continuing to do so. Our Office of Antiboycott Compliance now has enhanced tools to help deter violations of our antiboycott rules. And where deterrence proves unsuccessful, it now has enhanced tools to punish violators.

The Jewish people and the state of Israel have been the target of the Arab League boycott for 76 years. It is well past time for this boycott to finally end. Concerted U.S. engagement has demonstrated that the path forward to peace and prosperity comes with recognition, trade, and inclusive regional integration. But until we achieve this goal in full, our Office of Antiboycott Compliance will vigorously enforce our antiboycott rules, protect our foreign policy interests, and defend our core American principles of equality and non-discrimination.

Thank you.