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Office of the White House Press Secretary

THE WHITE HOUSE

FACT SHEET

DECISIONS ON QUESTIONABLE CORPORATE PAYMENTS ABROAD

The President today announced three decisions based on his review of an interim report by the Cabinet Task Force on Questionable Corporate Payments Abroad. The decisions are: (1) to propose new corporate "disclosure" legislation with regard to questionable payments abroad; (2) to endorse legislation proposed by the SEC intended to assure the integrity of corporate reporting procedures and the accountability of corporate executives; and (3) to seek priority treatment at forthcoming international meetings for the United States' proposed international agreement on questionable payments.

- I. Background. The President created the Cabinet Task Force on Questionable Corporate Payments Abroad on March 31, 1976. The Task Force is chaired by Commerce Secretary Elliot Richardson. Its members include: Secretary of State; Secretary of Treasury; Secretary of Defense; Attorney General; Special Representative for Trade Negotiations; Director, Office of Management and Budget; Assistant to the President for Economic Affairs; Assistant to the President for National Security Affairs; and Executive Director, Council on International Economic Policy.

In creating the Task Force the President directed it to conduct a comprehensive policy review and to explore whether "additional avenues should be undertaken in the interest of ethical conduct in the international marketplace and the continued vitality of our free enterprise system." He instructed the Task Force to provide him with interim reports and a final report by the end of the current calendar year.

The President's decisions followed his receipt of the first interim report of the Task Force.

II. The Decisions

A. "Disclosure" Legislative Initiative. The President announced that he had decided to submit legislation to the Congress requiring reporting and disclosure of certain payments by U.S.-controlled corporations made with the intent of influencing, directly or indirectly, the conduct of foreign government officials. The President instructed the Task Force to develop detailed specifications for such legislation as quickly as possible -- in order to allow Congressional action on the proposal in this session of Co:

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In announcing these decisions, the President expressed confidence that the overwhelming majority of American businessmen have conducted themselves as good citizens both at home and abroad. The President's decisions derived in part, he said, from a need to halt the growing trend of spreading cynicism and to help restore confidence in basic American institutions and principles.

B. Corporate Accountability Decision. The President endorsed legislation proposed by SEC Chairman Roderick Hills in his Report of May 12. The legislation would amend the Securities Exchange Act of 1934:

- to prohibit falsification of corporate accounting records;
- to prohibit the making of false and misleading statements by corporate officials or agents to persons conducting audits of the company's books and records and financial operations;
- to require corporate management to establish and maintain its own system of internal accounting controls designed to provide reasonable assurances that corporate transactions are executed in accordance with management's general or specific authorization, and that such transactions are properly reflected on the corporation's books.

C. Acceleration of International Efforts. The President announced his intention to seek priority treatment for the United States' proposed international agreement on questionable corporate payments abroad.

The proposed agreement was first put forward by the United States in a United Nations forum on March 5, 1976. If successful, it would result in an international treaty based on the following principles:

- It would apply to international trade and investment transactions with Governments, i.e., government procurement and other governmental actions affecting international trade and investment as may be agreed;
- It would apply equally to those who offer or make improper payments and to those who request or accept them;
- Importing Governments would agree to establish clear guidelines concerning the use of agents in connection with government procurement and other covered transactions, and establish appropriate criminal penalties for defined corrupt practices by enterprises and officials in their territory;
- All Governments would cooperate and exchange information to help eradicate corrupt practices;

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- Uniform provisions would be agreed for disclosure by enterprises, agents and officials of political contributions, gifts and payments made in connection with covered transactions.

The President's initiative will supplement related U.S. international initiatives taken in the OAS, OECD, GATT and UN.

III. Ongoing Activities.

A. Policy Development and Coordination. The Task Force will continue to have responsibility for policy development and coordination within the Executive Branch in accordance with the President's directive of March 31.

B. Investigations. Responsibility for investigative activities will remain with the appropriate investigative agencies and not the Task Force. Investigative and enforcement actions of the audit agencies, the IRS, the FTC, the SEC and the Department of Justice are ongoing in accordance with the dictates of current law.

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