5. **Introduce a bill to make the preaching, publication, or distribution of materials that call for the death of American citizens, attacks on the United States Government or Armed Forces, or the financing of the means and/or operations to accomplish these acts, acts of sedition and/or solicitation of treason.**

Background:

- **While we have a Constitutional guarantee to freedom of speech, it is not absolute. You can not incite violence. The Supreme Court has ruled that yelling fire in a crowded movie theater is not protected speech. While this would definitely be challenged for its constitutionality, it should be addressed. There was a problem that occurred throughout England in the 1980s and 1990s where the British authorities turned the other way so long as the preachers were not advocating for violence within England. The result was the July 2005 bombings that were carried out by English citizens who were radicalized within the country's mosques.**

6. Will call on the Government Accountability Office to conduct an audit to verify the total sovereign wealth fund investment in the United States.

Background:

- **A sovereign wealth fund, is a fund that is owned and/or controlled by a government that invests in public or private assets. The recent purchases by the United Arab Emirates and China of Citigroup, Blackstone Group, Carlyle Group, and Bear Stearns have left me very concerned. The recent spike in the amount of sovereign wealth funds acquiring interests in U.S. industries and companies has largely been a result of our economic downturn. While I do not oppose foreign investment in our economy, I am very worried about foreign governments investing in our defense, financial, and other industries vital to national security. Many of these sovereign wealth funds are not transparent and it puts our national security at risk since we cannot be assured that they would act in a non-political manner.**

KiplingerBusinessResourceCenter
FORECASTS AND ADVICE FOR LOOKING AHEAD AND STAYING AHEAD

Investments by Sovereign Wealth Funds in the United States

By Peter Morici

February 2008

Text of a Feb. 7, 2008, statement to the federal U.S.-China Economic and Security Review Commission by Professor Peter Morici of the University of Maryland's Robert H. Smith School of Business.

What Is a sovereign wealth fund? In purest form, a sovereign wealth fund is a pool of resources, owned and/or controlled by a government, invested in public or private assets, including debt instruments, equities and direct investments in property.

Clearly, the China Investment Corporation (CIC) is an example of such an entity, but so, too, are national and subnational government interests in European industrial companies. In turn, the investments of CIC in Blackstone and European companies with part government ownership in U.S. companies would be examples of sovereign wealth investments in the United States.

Also, the California Pubic Employees' Retirement System (Calpers), which invests widely in equities, and similar foreign national and subnational government retirement systems around the world are sovereign investment funds. Those have holdings in U.S. companies.

My point is that identifying sovereign wealth is usually easy, but identifying sovereign investments that should concern U.S. policymakers is difficult. Clearly, investments by the national government of China and its state controlled companies raise issues, but generalizing policy from those concerns is a tangle of string -- pull one piece and you get more string than you anticipated.

U.S. and Foreign Government Policies

As a common law country and culture, much of U.S. policy must be deduced from piecemeal practice and by generalizing from fragments of legislation and policy directives. For example, the U.S. Social Security fund is not permitted to make private investments, in part, because Americans don't want the U.S. government engaged in allocating capital and influencing business decisions in the U.S. private enterprise system. However, U.S. state governments are permitted to do as they please -- Calpers is a significant example, and it has not always been silent about the management of U.S. companies. The fact is, with its voting powers, it can't always be silent.

In contrast, in China and Europe, national and subnational governments make investments expressly for the purposes of promoting industries and affecting competitive international outcomes among businesses. Often, earning a decent return on capital is not a motivation; rather, the objective is creating employment or establishing a national presence in an industry that the market would not otherwise support.

Sometimes the results have strong and lasting effects on the U.S. economy through international commerce and competition. For example, Airbus is a strong competitor today, but McDonnell Douglas no longer exists as an independent entity.

Sovereign wealth fund investments could have the capacity to influence important U.S. investment decisions -- the choice of location of major production facilities in the United States or abroad; similarly, the location of R&D facilities; and the structure of investments by U.S. firms that may compete with companies domiciled in the home countries of sovereign wealth funds.

For example, how would a major CIC investment in a major U.S. automaker affect the location of facilities to produce small cars that could be made and exported from China? Or the location of an auto design facility? Chinese inward foreign investment policies have already had such effects. Given the size of Chinese sovereign holdings of U.S. dollars seeking investment opportunities, those issues will quickly move from the hypothetical to tangible.

The influence of sovereign wealth on the U.S. economy through the political process is another issue that will soon emerge. New York banks are busy selling significant minority interests to sovereign wealth funds. The employees of those banks are significant sources of campaign contributions for both political parties, because those banks have large numbers of employees that may contribute the maximum amounts permitted under campaign financing laws.

Through the Committee on Foreign Investment in the United States (CFIUS), the U.S. government has the means to review and screen sovereign investments; however, the recent rush to invest in U.S. banks by sovereign funds and the CFIUS response provides yet further indication that that agency is fairly passive. It seems great public controversy and congressional outcry are necessary, as was the case in the proposed Dubai Ports investments in the United States, to spring CFIUS into meaningful action.

Nevertheless, with the massive overseas holdings of dollars created by U.S. trade deficits and the intervention in currency markets by foreign central banks, investments by sovereign funds in the U.S. economy will present troubling issues. After all, why would the U.S. government permit a foreign sovereign fund to invest in U.S. companies and wield influence when it does not permit the U.S. Social Security fund to do the same?

Yet, with all the dollars the United States has chosen to print and leave abroad, it can hardly deny completely sovereign investments in the United States.

Shaping U.S. Policy

Clearly, some sovereign investments are more troubling or benign than others, and I believe the answers to two sets of questions should help in identifying investments that should be the focus of concern and perhaps screened out.

First, does the sovereign entity share U.S. values about the role of markets and state intervention in managing its national economy and the global economy?

In China for example, sovereign investments have the purpose of creating a socialist market economy, with specific industrialization objectives. Investments by these Chinese entities in U.S. companies pose much greater issues than, for example, investments by Canadian provincial government pension funds.

U.S. experience with large, direct sovereign investments, beyond pension funds, is limited. Investments by sovereign entities whose governments have announced specific goals to cultivate competitors to U.S. enterprises raise much more poignant issues than those whose purposes are to merely earn a profit to finance pensions.

Second, does the sovereign entity share U.S. political values or does it see itself in competition with the West?

China remains an autocratic state. The United States offers to the world democracy and markets, while China offers order and prosperity as justification for shunning democracy and controlling markets.

Large investments by such a government in the largest U.S. industrial financial institutions would create important concerns regarding the independent decision making of U.S. banks. The potential to compromise the allocation of large U.S. investments and the enduring independence of U.S. political figures should not be denied.

Investments could be denied in the United States by U.S. corporations or moved abroad to appease foreign minority interests, and U.S. banks could choose to allocate loans away from U.S. companies that compete with foreign companies favored by sovereign investors.

The United States has campaign finance laws, because Americans believe campaign money can influence legislation and public policy; hence, major holdings by sovereign funds in U.S. banks that are now emerging should be a focus of attention. It is hard to imagine that U.S. executives will not be sensitive to the political concerns of large shareholders when they choose candidates to support for public office.

An Awkward Corner

The United States is in a box. By running up large trade deficits and tolerating foreign government intervention in currency markets, the United States has contributed to large dollar overhang abroad -- much of it in the hands of sovereign funds. Investments by those funds in Treasury securities helped keep long-term interest rates artificially low, and helped facilitate the real estate bubble and subprime crisis now besetting U.S. banks.

U.S. banks, owing to questionable lending practices, need massive infusions of capital, which are difficult to find solely from domestic or private sources. We will likely hear from bankers in that foreign sovereign capital will not have any influences different from those of U.S. shareholders. However, we need ask why should foreign sovereign shareholders behave differently in the United States than they do at home? The Chinese government is not a neutral investor in China, and it should not be expect to be a neutral investor here.

Similarly, if the U.S. government wishes not to continue to have growing pressure from sovereign funds to invest in the United States, the U.S. government must finally address the massive U.S. trade deficit and foreign government intervention in currency markets that help finance sovereign investments. After all that is how these sovereign funds are amassing so many dollars to invest in the United States.

To read other articles written by Professor Morici, click here.

Peter Morici

Peter Morici is a professor at the University of Maryland's Robert H. Smith School of Business and former Chief Economist at the U.S. International Trade Commission.

Order Code RL34336

CRS Report for Congress

Sovereign Wealth Funds: Background and Policy Issues for Congress

Updated March 26, 2008

Martin A. Weiss
Analyst in International Trade and Finance
Foreign Affairs, Defense, and Trade Division

Prepared for Members and Committees of Congress

Congressional Research Service

Sovereign Wealth Funds: Background and Policy Issues for Congress

Summary

Sovereign wealth funds (SWFs) are investment funds owned and managed by national governments. Such funds currently manage between $1.9 and $2.9 trillion and are expected to grow to over $12 trillion by 2015. This is due to the rapid growth of commodity prices and large trade surpluses in several emerging market economies. During the second half of 2007, interest in SWFs increased as Asian and Middle Eastern SWFs, fueled by surging foreign exchange reserves, invested large sums of capital in U.S. and other Western companies.

Policy makers in the United States have raised two broad policy concerns about SWFs: (1) their lack of transparency and (2) their possible misuse for political or other non-commercial goals. Hearings have been held by several congressional committees including the House Financial Services Committee and the Senate Foreign Relations and Senate Banking Committees. Additional congressional hearings are expected in 2008.

SWFs pose a complex challenge for policy makers. On one hand, SWFs are long-term investment vehicles looking beyond quarterly results and therefore serve as stable funding sources during financial turbulence. On the other hand, however, there are operational concerns stemming from government control (i.e., lack of transparency and possible non-commercial investment goals). Without transparency, it is difficult to attain a clear picture of SWF investment activity. A lack of SWF transparency can also obscure governance and risk-management problems within SWFs.

Many are also concerned that countries will use SWFs to support what one analyst has called "state capitalism," using government-controlled assets to secure stakes around the world in strategic areas such as telecommunications, energy and mineral resources, and financial services, among other sectors.

In response to these concerns, many analysts and policy makers are evaluating the operations of existing SWFs and are looking to the international financial institutions such as the International Monetary Fund, World Bank, and the Organization for Economic Cooperation and Development to establish guidelines for SWF operations. All of these institutions are currently developing proposals that will be deliberated during 2008. This report will be updated as events warrant.

Contents

List of Figures

List of Tables

Sovereign Wealth Funds: Background and Policy Issues for Congress

Introduction

Sovereign Wealth Funds (SWFs) are investment funds owned and managed by national governments. Originally created in the 1950s by oil and resource-producing countries to help stabilize their economies against fluctuating commodity prices, and to provide a source of wealth for future generations, they have proliferated considerably in recent years. Although their lack of transparency makes estimating SWF investment levels difficult, it is estimated that they currently manage between $1.9 and $2.9 trillion.[1] Estimates of their growth over the next several years vary, with the consensus hovering around Morgan Stanley's projection of $12 trillion by 2015.[2]

SWFs can be funded through a variety of means, including profits from the sale of commodities (such as oil) or a current account surplus. SWFs can be established to serve several different objectives. These may include diversifying national assets, stabilizing the domestic economy against volatile commodity prices, saving for future generations, getting a better return on investment than traditional foreign exchange reserves, and promoting political or strategic interests.

During the second half of 2007, Asian and Middle Eastern SWFs, fueled by surging foreign exchange reserves, invested large sums of capital in the United States and other developed countries. While SWFs are invested broadly throughout Western markets, investments have been particularly concentrated in financial institutions. Following losses stemming from the August 2007 U.S. sub-prime mortgage crisis, many financial institutions sought large investments from foreign SWFs and other large institutional investors.[3] According to Dealogic, a financial data provider, SWFs invested $37.9 billion in U.S. financial institutions in 2007, 63% of their total activity.[4]

---

[1] All figures are in U.S. dollars.

[2] Stephen Jen, "Currencies: How Big Can Sovereign Wealth Funds Be by 2015," *Morgan Stanley Global Research*, May 3, 2007.

[3] Peter Goodman and Louise Story, "Overseas Investors Buy Aggressively in the United States," *New York Times*, January 20, 2008.

[4] David Rothnie, "Sovereign wealth spending on banks exceeds $50bn," *Financial News Online*, January 14, 2008, at [http://www.financialnews-us.com/?page=ushome&contentid=2449561453].

The dramatic recent increase in SWF activity has raised concerns about this relatively unexamined class of international investors. This report provides background on SWFs, including what countries operate SWFs and the size of the SWF market, and discusses two broad areas of concern to Members of Congress and the international financial community:

- governance and transparency-related issues, and
- possible non-commercial investment goals, including the potential use of government-controlled investment vehicles to attain global strategic and political goals.

Some U.S. policy makers stress that their concerns about SWFs are not meant to undermine the U.S. commitment to open investment. They maintain that the United States is one of the most open economies in the world and note that foreign investment in the United States provides many benefits, including lower interest rates, increased employment, productivity, and access to capital for American enterprise. Indeed, for countries such as the United States, which have both a high national budget deficit and historically low levels of public savings, foreign investment has been crucial.[5]

Background

The rising profile of SWFs is a direct consequence of the massive accumulation of global foreign reserve assets over the past decade. While reserve accumulation has occurred in many emerging market economies, it has been especially sharp among oil producers and Asian countries that have large trade-surpluses with the United States and other developed countries. In these countries, reserves have swelled to levels far in excess of the amount needed for balance of payments support, thus presenting an opportunity for foreign exchange reserve managers to maximize returns.

Foreign exchange reserves are traditionally invested in low-risk assets such as U.S. Treasury bills, but their recent growth has seen an increasing shift of excess reserves to higher-risk, higher-return investments. In contrast to traditional foreign exchange reserves, SWFs invest in a much broader array of assets, including stocks, bonds, fixed assets, commodities, derivatives, and alternative investments such as real estate and hedge funds. Like private hedge funds and government pension funds, SWFs often rely on outside expertise and professional fund managers.[6]

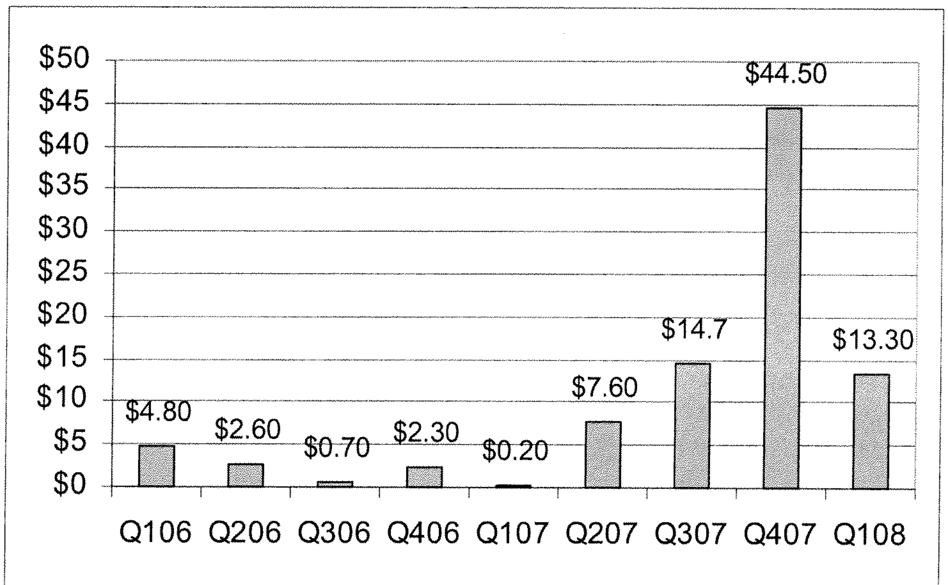
---

[5] For more information on foreign investment in the U.S. economy, see CRS Report RS21857, *Foreign Direct Investment in the United States: An Economic Analysis*, and CRS Report RL32964, *The United States as a Net Debtor Nation: Overview of the International Investment Position*, both by James K. Jackson.

[6] Stephen Jen, "Economics: How Much Assets Could SWFs Farm Out?" *Morgan Stanley Global Research*, January 10, 2008.

Two key forces drove interest in SWFs during the second half of 2007: (1) the introduction of new funds and (2) major acquisitions by existing SWFs following large losses by Western financial institutions from the U.S. sub-prime mortgage crisis. Many point to the September 29, 2007, launch of the new China Investment Corporation, Ltd. (CIC), with $200 billion of capital as a catalyst of the initial Western interest in SWFs.[7] In addition to the introduction of the CIC, several Middle Eastern and Asian SWFs have recently announced or completed large deals, with a focus on multinational financial institutions following the market turmoil in the second half of 2007. During the fourth quarter of 2007, Morgan Stanley estimates that SWFs invested $44.5 billion in Western financial institutions (**Figure 1**). Presumably, as long-term investors, SWFs see these investments as currently undervalued. In addition, many emerging market countries are looking to boost their own domestic financial institutions, which would likely be facilitated by the transfer of knowledge gained from major investments in more experienced Western financial institutions.

Figure 1. SWF Investments in Western Financial Institutions ($ billions)



Source: Morgan Stanley.

Large recent deals include the following:

- On September 20, 2007, the Mubadala Development Company, which is owned by the government of Abu Dhabi, announced a deal to buy a 7.5% stake in the Carlyle Group, a U.S. buyout investment firm, for $1.35 billion.[8]

---

[7] See CRS Report RL34337, *China's Sovereign Wealth Fund*, by Michael F. Martin.

[8] Thomas Heath, "Government of Abu Dhabi Buys Stake in Carlyle," *Washington Post*, (continued...)

- On November 26, 2007, the Abu Dhabi Investment Authority (ADIA), the world's largest SWF, announced a deal to buy a 4.9% stake in Citigroup for $7.5 billion.[9]

- On December 10, 2007, UBS AG, a Swiss bank, announced that the Government of Singapore Investment Corporation is investing $9.75 billion for a 9% stake, while a Saudi investor is investing $1.77 billion to UBS AG.[10]

- On December 19, 2007, Morgan Stanley, a U.S.-based investment bank, announced that the China Investment Corporation would invest $5 billion for a 9.9% share.[11]

- On December 24, 2007, Merrill Lynch announced a $6.2 billion private placement from Singapore's Temasek and New York-based Davis Selected Advisors. Temasek is expected to invest $4.4 billion in Merrill Lynch common stock, with the option to buy an additional $600 million in stock by March 2008.[12]

- On January 15, 2008, Citibank announced that it is receiving $14.5 billion from investors including the governments of Singapore and Kuwait, former Chairman Sanford Weill, and Saudi Prince Alwaleed bin Talal. On the same day, Merrill Lynch announced that it is to receive $6.6 billion from a group led by Tokyo-based Mizuho Financial Group Inc., the Kuwait Investment Authority, and the Korean Investment Corp.[13]

Several international bodies, including the IMF, the U.S. Treasury, and the European Central Bank have drawn attention to the positive impact that this SWF investment appears to have exerted so far by providing liquidity and stability during

---

[8] (...continued)
September 21, 2007.

[9] "Citi to Sell $7.5 Billion of Equity Units to the Abu Dhabi Investment Authority," Business Wire, November 27, 2007, at [http://online.wsj.com/public/article/PR-CO-20071126-908539.html?mod=crnews].

[10] "Sovereign Wealth Funds bet on Banks," *Associated Press*, December 10, 2007, at [http://biz.yahoo.com/ap/071210/soverign_wealth_funds_glance.html?.v=1].

[11] Chris Oliver, "Details of CIC's stake in Morgan Stanley Revealed," MarketWatch, December 24, 2007, at [http://www.marketwatch.com/news/story/details-cics-stake-morgan-stanley/story.aspx?guid=%7B6175589F-C8D1-49AE-8FA4-EB61BF8F7AC2%7D].

[12] "Merrill Lynch Will Sell Stake to Temasek Holdings," *Reuters*, December 25, 2007, at [http://www.cnbc.com/id/22395384/].

[13] Yalman Onaran, "Citigroup, Merrill Receive $21 Billion From Investors," *Reuters*, January 15, 2007, at [http://www.bloomberg.com/apps/news?pid=20601087&sid=anjGWhqi0PSE&refer=home].

the U.S. sub-prime mortgage crisis that began during the summer of 2007.[14] In its December 2007 six-month Financial Stability Review, the European Central Bank wrote:

> As SWFs, in particular those that put the emphasis on savings for future generations, are likely to have a long-term horizon for their investments, they may also contribute to the broadening of the long-term investor base for risky assets, such as equities, corporate bonds, emerging market assets, private equity and real estate. In this regard, such funds could become a more stable investor base for risky assets in certain markets. In addition, provided that the investments of such funds are driven entirely by risk and return considerations, SWFs may contribute to a more efficient allocation and diversification of risk at the global level.[15]

While SWFs represent a small percentage of all investment classes globally, their rapid and projected growth could increase demand for riskier assets, including equities and bonds. Deutsche Bank estimates that future SWF asset allocation could lead to a gross capital inflow of over $1 trillion into global equity markets and $1.5 trillion into global debt markets over the coming five years.[16] Merrill Lynch, using more aggressive assumptions, estimates that $3.1 to $6 trillion is likely to be invested in riskier assets by SWFs in the next five years.[17]

What Are Sovereign Wealth Funds (SWFs)?

While the term "Sovereign Wealth Fund" was coined only recently, SWFs have a more than 50-year history, with the first fund established by Kuwait in 1953.[18] There is no universally agreed upon definition of SWFs. The U.S. Treasury Department narrowly defines SWFs as "a government investment vehicle which is funded by foreign exchange assets, and which manages those assets separately from the official reserves of the monetary authorities (the Central Bank and reserve-related functions of the Finance Ministry)."[19] The U.S. Treasury Department's definition is meant primarily to distinguish SWF investment from official reserves managed by

---

[14] For more information on the sub-prime crisis, see CRS Report RL34182, *Financial Crisis? The Liquidity Crunch of August 2007*, by Darryl E. Getter, Mark Jickling, Marc Labonte, and Edward Vincent Murphy.

[15] Financial Stability Review, *European Central Bank*, December 2007, at [http://www.ecb.int/pub/pdf/other/financialstabilityreview200712en.pdf].

[16] Steffen Kern, "Sovereign Wealth Funds - State Investments on the Rise," *Deutsche Bank Research*, September 10, 2007.

[17] Alex Patelis, "The Overflowing Bathtub, the running tap and SWFs," *Merrill Lynch Economic Analysis*, October 6, 2007.

[18] For the first use of the term Sovereign Wealth Fund, see Andrew Rozanov, "Who Holds the Wealth of Nations," *State Street Global Advisors*, August 2005, at [http://www.ssga.com/library/esps/Who_Holds_Wealth_of_Nations_Andrew_Rozanov_8.15.05REVCCRI1145995576.pdf].

[19] "Report to Congress on International Economic and Exchange Rate Policies," Department of the Treasury, December 2007, at [http://www.treas.gov/offices/international-affairs/economic-exchange-rates/].

a country's central bank. Because the primary goals of official foreign reserves are liquidity and security, the investment horizon for these for reserves is short.

Some observers provide a more detailed definition of SWFs. Stephen Jen, a currency analyst at Morgan Stanley, expands on the Treasury definition to provide a broader understanding of SWFs and how they differ from official foreign reserves and other government-sponsored funds. According to Jen, there are five key traits of SWFs. They are (1) sovereign government entities with (2) high foreign currency exposures, (3) no explicit liabilities (such as a national state pension fund), (4) high-risk tolerances, and (5) long investment horizons.[20]

The IMF divides SWFs into several categories based on their stated goals. In practice, however, many SWFs combine elements of the following three categories. The three primary types of SWFs, according to the IMF, are as follows:

(1) Stabilization funds — Volatile international market prices are a primary concern for resource- and commodity-intensive economies. Some commodities face price fluctuations of an average of 20%-25% per year. To mitigate this volatility, several countries have established funds to sterilize capital inflows[21] and stabilize fiscal revenues. Because stabilization funds serve a more immediate function than long-term savings funds, they tend to be more conservative in their investment decisions, focusing on fixed income rather than equity investments.[22] Examples include Russia's Stabilization Fund of the Russian Federation and Kazakhstan's National Oil Fund.

(2) Savings funds — Savings funds are intended to share wealth across generations. For countries rich in natural resources, savings funds convert non-renewable natural resources into a diversified portfolio of international financial assets to provide for future generations or other long-term objectives. According to the IMF, while newer oil funds predominantly focus on stabilization objectives, the recent increase in oil prices has allowed SWFs to emphasize savings objectives. Becuase savings funds have longer investment horizons than pure stabilization funds, they invest in a broader range of assets, including bonds and equities, as well as other forms of alternative investments, such as real estate, private equity, hedge funds, and commodities. Examples include the Abu Dhabi Investment Authority, Kuwait Investment Authority, Singapore's Government Investment Corporation, and the China Investment Corporation.

(3) Reserve investment corporations — Reserve investment corporations are funds established to reduce the opportunity cost of holding excess foreign reserves

---

[20] Stephen Jen, "Currencies: The Definition of a Sovereign Wealth Fund," *Morgan Stanley Research*, October 25, 2007.

[21] Currency sterilization is a form of monetary action in which a country's central bank attempts to insulate itself from the foreign exchange market to counteract the effects of a changing monetary base by selling or buying the domestic currency in the foreign exchange market to stabilize the value of the domestic currency. For more information, see Jang-Yung Lee, "Sterilizing Capital Inflows," International Monetary Fund, 199, at [ttp://www.imf.org/external/pubs/ft/issues7/issue7.pdf].

[22] Rachel Ziemba, "Responses to Sovereign Wealth Funds: Are 'Draconian' Measures on the Way?," *RGE Monitor*, November 2007.

or to pursue investment policies with higher returns. Reserve investment corporations adapt more aggressive investment strategies, including taking direct equity stakes. These funds typically seek higher returns than other SWFs and use leverage (i.e., debt) in their investments. Historically, theses vehicles tend to be more secretive than other SWFs that are primarily portfolio investors.[23] Examples of such funds are Singapore's Temasek, Qatar's Investment Authority, and Abu Dhabi's Mudabala.[24]

Among funds, there are substantial differences in risk-return profiles, investment horizons, asset allocation, eligible instruments, risk tolerances, and constraints.[25] Because each fund is different and has varying goals and objectives, it is difficult to generalize about the investment strategies of SWFs as a class. For example, an oil-exporting economy may initially establish a SWF for stabilization purposes. However, if the assets under management by the SWF grow to exceed the levels needed for stabilization, the country may either change the priorities and investment strategy of the fund or establish a separate fund with a more aggressive investment approach. Thus, several countries have multiple sovereign wealth funds. For example, the United Arab Emirates's primary fund, the Abu Dhabi Investment Authority (ADIA), was established in 1974 to invest surplus cash in assets that provide steady gains and returns over a long time-horizon using a portfolio investment strategy. In 2002, the United Arab Emirates established Mubadala Development to pursue direct investment projects targeted at higher returns.

What Countries Operate SWFs?

The first SWF was established by Kuwait in 1953 as a means to help stabilize the economy from fluctuating oil prices.[26] In 1956 the Gilbert Islands (now Kiribati) established the Revenue Equalization Reserve Fund to manage profits from phosphate mining. Following Kuwait and Kiribati, the next major SWFs were created in the 1970s in the wake of the oil shock. The most recent wave began in the 1990s with the Norway Government Pension Fund-Global in 1990 and continues to this day. In the last five years, funds have been established by China, Iran, Russia, Qatar, and the United Arab Emirates.

As noted previously, the recent growth of SWFs is a consequence of rapid growth in emerging market reserves driven by (1) the impact of rising oil prices for

---

[23] Similar entities to SWFs that raise many of the same concerns are state-backed companies engaged in foreign acquisitions. For example, in 2005 an attempt by the China National Offshore Oil Cooperation (CNOOC) to purchase the U.S. energy company Unocal raised substantial congressional concerns and was eventually abandoned. For more information on the CNOOC case, see CRS Report RL33093, *China and the CNOOC Bid for Unocal: Issues for Congress*, by Dick K. Nanto, James K. Jackson, Wayne M. Morrison, and Lawrence Kumins.

[24] "Global Financial Stability Report: September 2007," *International Monetary Fund*, September 2007.

[25] For more information on the challenges of establishing a SWF, see Andrew Rozanov, "Sovereign Wealth Funds: Defining Liabilities," *State Street Global Advisors*, May 2007.

[26] The first Kuwaiti SWF was called the Kuwait Investment Board. It was later acquired by a separate fund, the Kuwait Investment Authority, which was founded in 1960.

Middle Eastern economies and (2) large trade surpluses, net foreign direct investment flows, and high savings rates among Asian economies. Reserve accumulation has been especially sharp in the case of China, where there has been extensive intervention in the foreign exchange markets to limit the yuan's appreciation against the dollar.[27]

Analysts estimate that foreign assets held by sovereign nations currently exceed $5 trillion and are, as the growing U.S. current account imbalance would indicate, increasing at a significantly more rapid rate in emerging market countries with high savings rates than in the industrialized countries. **Table 1** provides information on the 10 largest holders of foreign reserves (as of the end of 2006) and five additional countries that have large SWFs.

Table 1. Foreign Exchange Reserves and Current Account Balances

	Foreign Exchange Reserves				
	2006 (USD Billions)	**Change '01-'06 (Percent)**	**Share of GDP 2006 (Percent)**	**Reserves/GDP (Percent)**	**Current Account/GDP 2002-2006 (Percent)**
China[S]	1,066	403	41	8.6	5.5
Japan	875	126	20	2.2	3.5
Russia[SR]	295	807	30	8.4	9.7
Taiwan	266	118	75	8.9	7.1
Korea[SR]	238	133	27	3.9	1.9
India	170	276	19	3.7	-0.3
Singapore[SR]	136	81	103	11.3	22.5
Hong Kong	133	20	70	2.6	9.9
Brazil	86	139	8	1.4	1.0
Malaysia[S]	82	185	54	8.9	13.3
Algeria[S]	78	333	68	14.0	17.2
Norway[S]	56	153	17	2.6	14.3
United Arab Emirates[S]	28	98	16	2.4	12.3
Kuwait[S]	12	32	13	0.9	32.9
Qatar[S]	5	346	10	2.4	20.0

Source: Peterson Institute for International Economics.
Notes: S = has one or more sovereign wealth funds; R = reserves include sovereign wealth fund in whole or in part.

Middle East. The Middle East region is currently experiencing a substantial economic boom due to record high oil prices. The value of oil and gas exports from the Middle East was approximately $650 billion in 2007 and is expected to rise to almost $750 billion in 2008. Because these countries either largely control or heavily tax oil production, government revenue from oil and gas is now estimated at $510

---

[27] CRS Report RL32165, *China's Currency: Economic Issues and Options for U.S. Trade Policy*, by Wayne M. Morrison and Marc Labonte.

billion for 2007, and will likely rise above $580 billion in 2008.[28] According to RGE Monitor, between 2002 and 2007, the Gulf Cooperation Council (GCC) countries (excluding Saudi Arabia) transferred over $300 billion to their SWFs.[29]

Like other GCC countries, Saudi Arabia, as the world's largest producer and exporter of oil, has benefitted from increasing oil revenues in recent years. Although Saudi Arabia has not formally established a SWF, its central bank holds a significant amount of international investments outside of traditional foreign reserves, and thus is not reflected on the previous chart. Separately, the Saudi central bank controls an estimated $320 billion in foreign assets, with "additional reserves that are not made public for national security reasons."[30] In December 2007, Saudi Arabia announced plans to establish a sovereign wealth fund likely to be the world's largest. According to the *Financial Times*, the proposed Saudi fund would dwarf the world's largest SWF, the United Arab Emirates' Abu Dhabi Investment Authority (ADIA).[31] The effort is likely to be spearheaded by the government's Public Investment Fund, which has a mandate to invest only within Saudi Arabia.

Asia. Among Asian economies, the expansion of reserves has been even more dramatic. By 2006, Asia held 54% of the then $4.2 trillion of worldwide reserves, more than the global total 10 years earlier.[32] Asian reserve accumulation is largely the result of persistent and sustained current account surpluses with the United States and other Western countries.[33] Following the 1998 Asian financial crisis, many Asian economies began accumulating large amounts of reserves to provide adequate insurance against any future currency fluctuations or macroeconomic insecurity.[34] Two additional factors motivate Asian reserve accumulation. First, several countries have pursued an export-led growth strategy targeted at the United States involving significant market intervention (especially by China) to maintain a stable undervalued exchange rate.[35] Second, many Asian emerging market economies have financial

---

[28] Regional Economic Outlook: Middle East and Central Asia, *International Monetary Fund*, October 2007. Included oil exporters are Algeria, Azerbaijan, Bahrain, Iran, Iraq, Kazakhstan, Kuwait, Libya, Oman, Qatar, Saudi Arabia, Syria, Turkmenistan, and the United Arab Emirates.

[29] Brad Setser and Rachel Ziemba, "Understanding the New Financial Superpower — The Management of GCC Official Foreign Assets," *RGE Monitor*, January 2008. Member countries of the GCC are: Bahrain, Kuwait, Qatar, Oman, Saudi Arabia, and the United Arab Emirates.

[30] Nawaf Obaid, "Assessing Saudi Power," *Middle East Times*, November 13, 2007.

[31] Henny Sender and David Wighton, "Saudis Plan Huge Sovereign Wealth Fund," *Financial Times*, December 21, 2007.

[32] Steffen Kern, "Sovereign Wealth Funds-State Investments on the Rise," *Deutsche Bank Research*, September 10, 2007.

[33] Joshua Aizenman, "Large Hoarding of International Reserves and the Emerging Global Economic Architecture," *National Bureau of Economic Research Working Paper 13277*, July 2007.

[34] For more information on the Asian Financial Crisis, see CRS Report 98-434 E, *The Asian (Global?) Financial Crisis, the IMF, and Japan: Economic Issues*, by Dick K. Nanto.

[35] "New paradigm changes currency rules," *Oxford Analytica*, January 17, 2008.

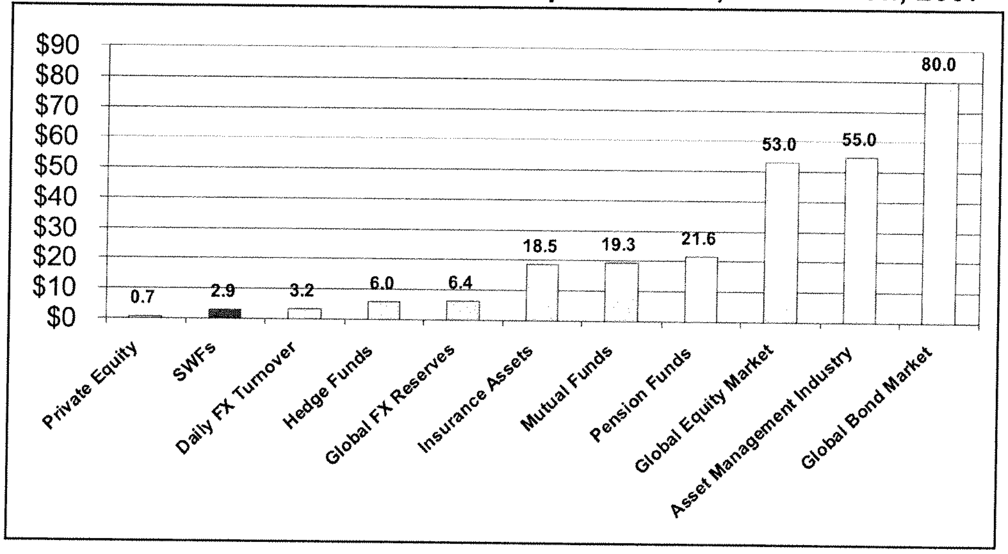
markets that are not developed enough to absorb the traditionally high levels of private savings seen in Asia.[36]

The Size of SWFs

It is difficult to accurately measure the amount of assets under management by SWFs because many funds do not disclose much information about their operations and assets. The funds believed to be the largest do not disclose their size, investment strategies, or current holdings. Estimates for the size of the largest fund, the United Arab Emirates' ADIA, for example, range widely between $500 and $900 billion. Reportedly, ADIA has achieved a 20% rate of return for many years and rarely considers deals less than $100 million.[37]

Official and private sector analysts estimate that there is between $1.9 and $2.9 trillion under management by SWFs. This is significantly smaller than other investment classes (**Figure 2**).

Figure 2 Segments of the Global Capital Market, USD trillion, 2007



Source: Norges Bank

However, analysts expect that if oil prices remain, and there no immediate correction of current global imbalances, SWFs will grow rapidly over the next few years. Morgan Stanley estimates that if foreign reserves continue to increase at a current pace, they could grow to $12 trillion by 2015.[38] Several factors could weaken these growth projections, including a cyclical economic downturn, a

[36] Euro riding high as an international reserve currency, *Deustche Bank Research*, May 4, 2007.

[37] Henny Sender, Live at Apollo (Management): Plan to Cash In, Limit Scrutiny, *Wall Street Journal*, July 17, 2007.

[38] Stephen Jen, "Currencies: How Big Can Sovereign Wealth Funds Be by 2015," *Morgan Stanley Global Research*, May 3, 2007.

reduction in oil prices, or a weakening of competitiveness in Asian exporting economies. On the contrary, given the rapid increase in emerging market foreign exchange reserves, if countries decide to increase transfers from official reserves to SWFs, projected figures could be substantially higher. SWFs financed by oil and gas exports are estimated to account for around two thirds of SWFs by amount invested. Asian funds financed by current account surpluses make up the rest.[39] **Table 2** provides a list of the largest funds. **Figure 3** combines global foreign reserve growth with recent growth of Asian and oil SWFs.

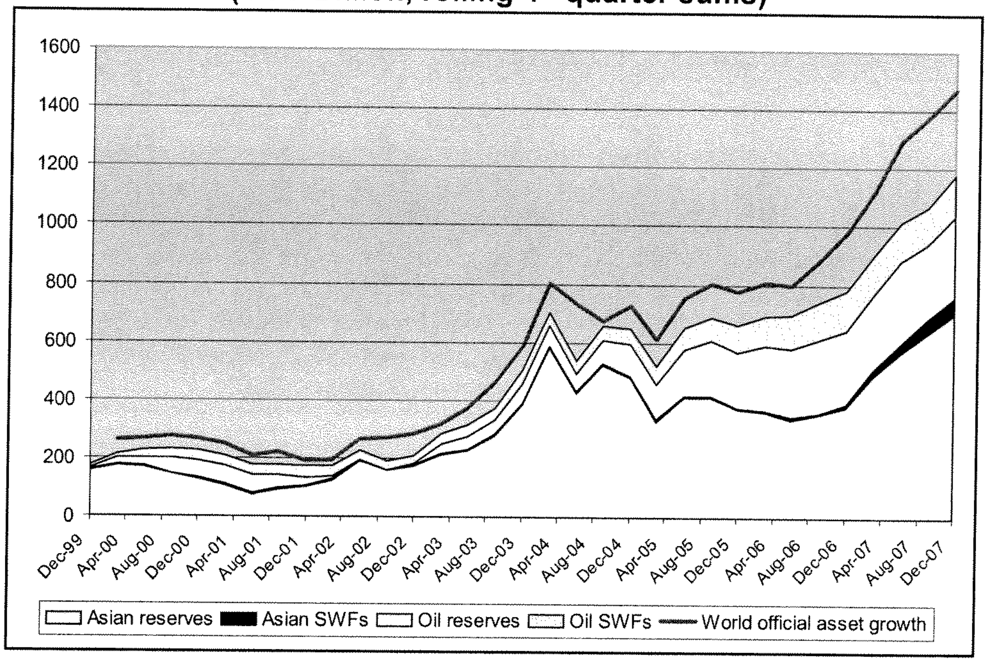
Table 2. Large Sovereign Wealth Funds

Country	Name	Date Est.	Current Size ($ billions)	Source of Funds
United Arab Emirates	Abu Dhabi Investment Authority and Corporation	1976	500-875	Oil
	Mubadala Development Company	2002	10	Oil
	Isithmar	2003	4	Oil
Norway	Government Pension Fund — Global	1990	329	Oil
Singapore	Government of Singapore Investment Corporation	1981	100-330	Other
	Temasek Holding	1974	108	Other
Kuwait	Kuwait Investment Authority	1960	213	Oil
Russia	Stabilization Fund of the Russian Federation	2004	141	Oil
China	China Investment Corporation	2007	200	Other
Qatar	Qatar Investment Authority	2005	50	Oil
Australia	Future Fund	2006	49	Other
Algeria	Revenue Regulation Fund	2000	43	Oil
United States	Alaska Permanent Fund	1976	40	Oil
Brunei	Brunei Investment Agency	1983	30	Oil
Korea	Korea Investment Corporation	2005	20	Other
Kazakhstan	National Oil Fund	2000	19	Oil, Gas
Malaysia	Khazanah Nasional	1993	18	Other
Venezuela	National Development Fund	2005	15	Oil
	Macroeconomic Stabilization Fund	1998	1	Oil
Canada	Alberta Heritage Savings Trust Fund	1976	15	Oil
Chile	Economic and Social Stabilization Fund	2006	10	Other
New Zealand	Superannuation Fund	2001	10	Other
Iran	Oil Stabilization Fund	2000	9	Oil

Source: Peterson Institute for International Economics

[39] Stephen Jen, "How Big Could Sovereign Wealth Funds Be by 2015," *Morgan Stanley Perspectives*, May 3, 2007.

Figure 3. Global Reserve Growth and SWFs (USD Billion, rolling 4th quarter sums)

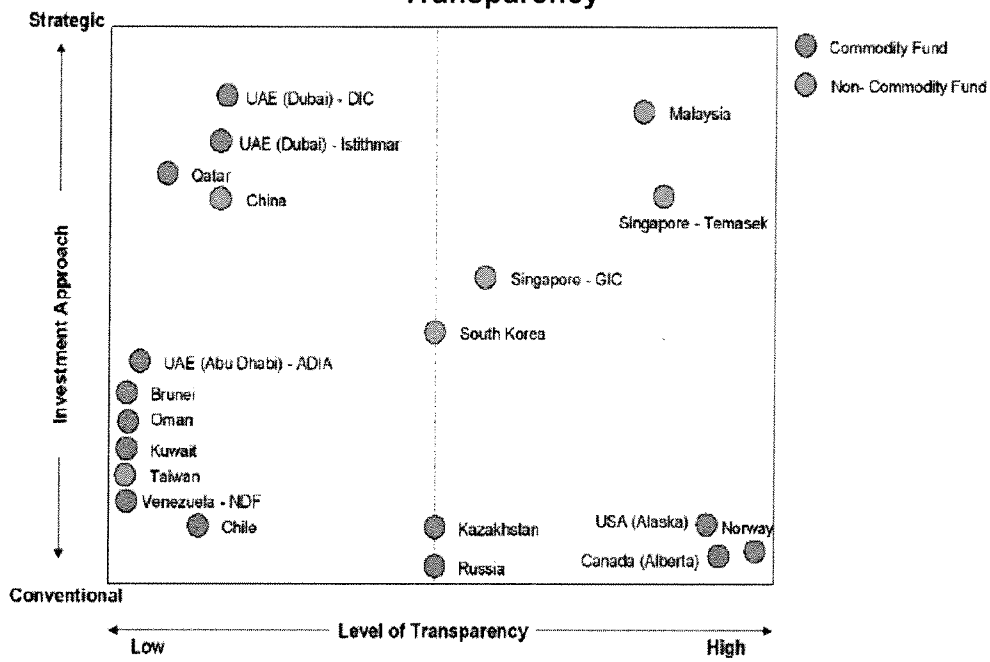


Source: RGE Monitor

Policy Issues for Congress

The government control of SWFs has raised two broad policy concerns, namely (1) the lack of SWF transparency and (2) the potential use of SWF capital for strategic or political (i.e., non-commercial) purposes. These concerns as applied to specific SWFs are mapped in **Figure 4**. The X axis illustrates fund transparency, or levels of disclosure. The Y axis measures the active, or strategic, nature of their stated (or perceived) investment philosophy. For example, the funds of Norway, Alaska, and Alberta, Canada, are conventionally invested in a wide range of investments and are highly transparent. Malaysia's SWF and Singapore's Temasek, while also highly transparent, pursue a more strategic approach to their investments, targeting various industries that are of interest to their respective governments. The funds in the upper-left quadrant are of most concern to Western policy makers. These are the funds that disclose the least information about their funds and are the most strategic in their investment philosophy.

Figure 4. Standard Chartered Ranking of SWFs, by Investment Approach and Transparency



Source: Standard Chartered and Oxford Analytica

Transparency and Governance-Related Concerns

Given the recent and projected growth of SWFs, many analysts stress the need for increased transparency of SWF activity. There are no supra-national regulations or disclosure requirements for the size of SWFs, their investment strategies, or their current holdings. Unlike privately owned, nationally regulated funds, SWFs are not required to provide information to stock-holders and stake-holders. "In terms of disclosure on fund performance, investment strategy, or even basic philosophy, many [SWFs] rank below the most secretive hedge fund," according to Gary Kleiman, a senior partner at Kleiman International Consultants, an emerging financial markets consulting group.[40] Of the existing national funds, only Norway's fund is universally considered to be transparent and publically accountable.

Minimal SWF transparency masks SWF investment activity and can obscure governance and risk-management problems within the funds. This can have distressing consequences for policy makers. First, without insight into SWF activity, it is difficult to assess systemic risks or to determine whether SWFs are in fact pursuing strategic, non-commercial investment strategies (see next section). Second, limited disclosure makes it difficult to assess the management and governance of the funds and therefore difficult to identify mismanagement or corruption by fund mangers. Conflating this problem, many of these SWFs are established in countries that currently lack the underpinnings for good SWF governance or SWF oversight. This is of concern to policy makers, because sizable failures due to poor

---

[40] Tony Tassell and Joanna Chung, "The $2,500 Question," *Financial Times*, May 25, 2007.

management, particularly if concentrated within certain sectors, could affect national or global markets.

Some analysts have tried to empirically measure the lack of SWF transparency. The Peterson Institute of International Economics (IIE) has tabulated a SWF scorecard, that among other variables, looks at transparency and accountability.[41] For its transparency and accountability figure, IIE scored several questions, including the following:

- Do regular reports on the investments by the SWF include the size of the fund? Information on the returns it earns?

- Do reports provide information on the types of investments? Information on the geographic location of investments? Information on the specific investments, for example, which instruments, countries, and companies? Information on the currency composition of investments?

- Is the SWF subjected to a regular audit? Is the audit published? Is the audit independent?

Consistent with **Figure 3** above, the IIE found that the largest funds (i.e., those owned by the United Arab Emirates, Qatar, Kuwait, and China) scored very low on the transparency and accountability rankings.

Non-commercial Investment Motives

While the ostensible goal of SWF investment is long-term value creation, government control could mean that a SWF may be motivated by non-commercial considerations in its investment decisions. Felix Rohatyn, a prominent investment banker and former U.S. official, has noted that for many funds, political and commercial objectives are closely intertwined. According to Mr. Rohatyn, "they are making investments that they probably think are O.K. but not spectacular."[42] However, for these funds, "there has to be a political objective over and above the rate of return."[43]

Many U.S. policy makers are concerned that countries will use SWFs to support what one analyst has called "state capitalism," using government-controlled assets to secure strategic stakes around the world in areas such as telecommunications,

---

[41] Edwin M. Truman, "Sovereign Wealth Fund Acquisitions and Other Foreign Government Investments in the United States: Assessing the Economic and National Security Implications," Testimony before the Committee on Banking, Housing, and Urban Affairs United States Senate, November 14, 2007. Testimony is available at [http://iie.com/publications/papers/truman1107.pdf].

[42] Andrew Ross Sorkin, "What Money Can Buy: Influence," *The New York Times*, January 22, 2008, at [http://www.nytimes.com/2008/01/22/business/22sorkin.html?dlbk].

[43] Ibid.

energy resources, and financial services, among other sectors.[44] Recent deals in the energy and finance sector suggest that securing access to natural resources and developing domestic financial markets appear to be the two primary SWF strategic objectives.[45]

A report by Citigroup notes that "some sovereign wealth funds invest purely to achieve financial returns and portfolio diversification while others have a broader economic or social agenda."[46] Such an agenda could be benign; many countries have expressed their interest in using investments in foreign financial institutions to acquire knowledge and technology to help build their own domestic financial institutions. On the other hand, many are concerned that countries may use their SWFs to gain access to other countries' natural resource industries or other politically sensitive sectors. Such concern is not limited to Western countries. In January 2006, one of Singapore's SWFs, Temasek, purchased from the family of then-Prime Minister Thaksin Shinawatra a controlling stake in the Thai telecom company Shin Corporation, which included taking control of space satellites used by the Thai military. This purchase sparked a political crisis in Thailand, which eventually led to the ousting of Thaksin's government.

U.S. and International Policy Responses to SWFs

For many developed countries, SWFs are a double-edged sword that provide both benefits and risks. Many industrialized countries are struggling with how to take advantage of the additional liquidity that SWFs can provide while at the same time mitigating challenges raised by the lack of transparency and politically driven nature of some of these funds.

---

[44] Gerald Lyons, "State Capitalism: The Rise of Sovereign Wealth Funds," *Standard Chartered*, October 15, 2007. Document is available from the author.

[45] Richard Portes, "Sovereign Wealth Funds," *VOXEU*, October 17, 2007, at [http://www.voxeu.org/index.php?q=node/636]. See also Huw Van Stenis, "Banks & Financials: Sovereign Wealth Funds — building stakes in financials," *Morgan Stanley Research Europe*, September 24, 2007.

[46] The World Economic Forum ranks the United States first in its 2007 competitiveness report. *The Global Competitiveness Report 2007-2008*, World Economic Forum, at [http://www.gcr.weforum.org/].

United States

The Bush Administration has been generally supportive of SWF investment, maintaining that the United States is open to foreign investment and that "money is naturally going to gravitate toward dollar-based assets because of the strength of our economy," according to Treasury Secretary Henry Paulson Jr.[47] Secretary Paulson further noted, however, that "I'd like nothing more than to get more of that money. But I understand that there's a natural fear that they're going to buy up America."[48]

The magnitude of financial impact combined with the limited transparency and potentially non-commercial investment motivations of government-sponsored entities has sparked concern among some analysts and Members of Congress. Senator Richard Shelby has requested a study from the Government Accountability Office (GAO) to ensure that SWFs are "effectively monitored," according to a Shelby aide.[49] The Senate Banking Committee held hearings on SWFs on November 13, 2007. In his opening remarks, Senator Evan Bayh summarizes the two primary concerns about SWF activity in the United States:

> A lack of transparency that characterizes many sovereign wealth funds undermines the theory of efficient markets at the heart of our economic system. In addition, unlike private investors, pension funds and mutual funds, government owned-entities may have interests that will take precedence over profit maximization. Just as the United States has geopolitical interests in addition to financial ones, so do other countries. Just as we value some things more than money, so do they. Why should we assume that other nations are driven purely by financial interests when we are not?[50]

In a December 2007 speech before the Gulf Cooperation Council in Bahrain, U.S. Deputy Treasury Secretary Robert Kimmett said that SWF investments "may raise legitimate questions about national security" and "their scale/number and tendency toward lack of transparency raise the possibility of potentially negative impacts on global financial stability if funds operate without prudent governance and investment management standards."[51] Christopher Cox, Chairman of the U.S. Securities and Exchange Commission (SEC), has raised concerns about the conflict of interest that may arise when a fund is owned and managed by the government that is legally required to regulate it. Cox has stated that in some cases, foreign governments may not be fully cooperative with insider-trading investigations. Cox

---

[47] Steven R. Weisman, "Concern About 'Sovereign Wealth Funds' Spreads to Washington, *International Herald Tribune*, August 20, 2007.

[48] Ibid.

[49] Christopher S. Rugaber, "Agency Investigates Sovereign Funds," *Associated Press*, January 11, 2008, at [http://www.forbes.com/feeds/ap/2008/01/11/ap4522903.html].

[50] Senate Banking, Housing and Urban Affairs Committee Hearing on Foreign Government Investment in the United States, November 14, 2007. Transcript available from Congressional Quarterly at [http://www.cq.com].

[51] Tessa Moran, "US Treasury's Kimmitt says sovereign wealth funds not cause for alarm," *Forbes.com*, at [http://www.forbes.com/markets/feeds/afx/2007/12/04/afx4403204.html]. See also, Robert M. Kimmett, "Public Footprints in Private Markets," *Foreign Affairs*, January/February 2008.

also expresses concern that SWFs may be the beneficiaries of economic intelligence from national security services.

Laws exist in the United States to regulate foreign investment in the U.S. economy. Foreign investments that raise national security concerns are subject to review by the U.S. Government's Committee on Foreign Investment in the United States (CFIUS) for review.[52] It is unclear, however, to what extent sovereign wealth funds investments would be covered by the Exon-Florio National Security Test for Foreign Investment and thus subject to the CFIUS for review.[53] According to one analyst, because most SWF transactions are non-controlling, involve non-voting shares, and comprise less than a 10% stake, the current review process is not set up to review SWF investments. However, in July 2007, Congress passed the Foreign Investment Security Act of 2007 (P.L. 110-49), which among other things, enhanced the review process for non-U.S. acquisitions and added critical infrastructure and foreign government-controlled transactions to the factors for review.[54]

Europe

The response to SWFs in Europe has been largely divided into two camps: countries that are considering heavier restrictions on SWF activity versus those that would like to maintain open investment principles enhanced by additional SWF transparency.

France and Germany fall primarily into the first camp. According to many, Germany has taken the most aggressive stance against SWF investment. German Chancellor Angela Merkel has stated, "with those sovereign funds we now have new and completely unknown elements in circulation. One cannot simply react as if these are completely normal funds of privately pooled capital."[55] Reportedly, Germany is redrafting an investment law that would allow it to block takeovers by SWFs or other large state-sponsored investment agencies.[56] German Chancellor Merkel has expressed particular concern that large Russian energy firms, such as Gazprom, would attempt to purchase Germany's private energy utilities.[57]

A similar response has been seen in France. Just prior to a Middle East trip in early 2008, French President Nicolas Sarkozy expressed strong concerns regarding

---

[52] CRS Report RL33388, T*he Committee on Foreign Investment in the United States (CRIUS)*, by James K. Jackson.

[53] CRS Report RL33312, *The Exon-Florio National Security Test for Foreign Investment*, by James K. Jackson.

[54] Steven Davidoff, "A Guide to Speed Dating with Sovereign Wealth Funds," *The New York Times Dealbook*, at [http://dealbook.blogs.nytimes.com/2008/01/15/a-guide-to-speed-dating-with-sovereign-funds/?ref=business].

[55] Carter Dougherty, "Europe Looks at Controls on State-Owned Investors," *International Herald Tribune*, July 13, 2007, at [http://www.iht.com/articles/2007/07/13/business/protect.php].

[56] Marcus Walker, "Germany Tinkers With Foreign-Takeovers Plan," *The Wall Street Journal*, January 14, 2008.

[57] Ibid.

SWF investments in Europe, focusing specifically on the lack of reciprocity within the home markets of many of the largest SWF holders. According to President Sakozy, "I don't accept that certain sovereign wealth funds can buy anything here and our own capitalists can't buy anything in their countries. I demand reciprocity before we open Europe's barriers."[58]

In contrast, the United Kingdom has presented, arguably, a more nuanced approach to SWFs. Alistair Darling, the U.K. Chancellor of the Exchequer, has said that as long as SWFs do not threaten national security or pursue political purposes, they should be free to invest as they please. " I intend to make the point that we welcome [SWF] investment, but I think crucially, people, companies, and sovereign wealth funds have to act on a commercial basis."[59] A similar reception has been seen in Switzerland. Phillip Hildebrand, Vice Chairman of the Swiss National Bank (SNB) has stated, "the challenge [of SWFs] is to preclude an outcome where the activities of SWFs trigger policy responses in mature markets that ultimately lead us down the path of financial protectionism. A set of guidelines addressing the threat of politically-driven investment decisions and resurgent state involvement in the global economy represents the best currently available option to respond to the challenge of SWFs."[60]

The response from the European Commission, has been equally nuanced. According to Charlie McCreevy, European Commissioner for Internal Market and Services:

> [W]e must not allow the discussion on Sovereign Wealth Funds to be used as an excuse to raise unjustified barriers to investment and the free movement of capital. Protectionism and domestic focus is the instinctive response of some politicians.... But I do believe there are issues relating to transparency and governance that we need to engage on with certain Sovereign Wealth Funds.... We need Sovereign Wealth Funds to be transparent in their operations, preferably on the basis of an international code of best practice.[61]

On February 27, the European Commission (EC) adopted a Communication on sovereign wealth funds (SWFs) that will be presented to the Spring European Council on March 13-14, 2008. The report builds on earlier statements by EU Internal Market Commissioner Charlie McGreevey for a coordinated European response to SWF investment in Europe. The Communication proposes guidelines that SWFs may wish to adopt to support good governance practices and increased transparency of investment decisions

---

[58] "Sarkozy attacks wealth funds on eve of MidEast trip," *Reuters*, January 12, 2008, at [http://www.reuters.com/article/oilRpt/idUSL1220023020080112].

[59] Sumeet Desai, "Darling Says Sovereign Funds Need to Follow Rules," *Reuters*, October 19, 2007, at [http://uk.reuters.com/article/businessNews/idUKWBT00778720071019].

[60] "Sovereign wealth funds need rules-SNB's Hildebrand," *Reuters*, December 18, 2007.

[61] Charlie McGreevey, European Commissioner for Internal Market and Services, "The Importance of Open Markets," Speech before Council of British Chambers of Commerce in Continental Europe (COBCOE),London, January 10, 2008, at [http://www.edubourse.com/finance/actualites.php?actu=35306].

Multilateral

At the G7 Finance Ministers meeting in October 2007, ministers discussed SWFs for the first time, noting that they are "increasingly important participants in the international financial system and that our economies can benefit from openness to SWF investment flows." The final G7 communique for the meeting stated that the IMF, World Bank, and the OECD should explore best practices for SWFs in key areas such as institutional structure, risk management, transparency, and accountability.[62] Secretary of the Treasury Henry Paulson further elaborated on this in his remarks to the International Monetary and Finance Committee of the IMF:

> The United States believes a multilateral approach to SWFs that maintains open investment policies is in the best interest of countries that have these funds, and countries in which they invest. The IMF is uniquely positioned to identify best practices for SWFs, building on the existing Guidelines for Foreign Exchange Reserve Management. Best practices would provide multilateral guidance to new funds on how to make sound decisions on how to structure themselves, mitigate any potential systemic risk, and help demonstrate to critics that SWFs can be constructive, responsible participants in the international financial system. Recipient countries of SWF investment also have a responsibility to maintain openness to investment and should work through the OECD to develop best practices for inward government-controlled investment.[63]

To address concerns related to the lack of SWF transparency, some have called for an international body, such as the IMF, to establish guidelines and monitor countries' compliance with transparency efforts. Proponents maintain that increased transparency would limit the potential negative impact of greater SWF investment by allowing financial markets to better observe SWF activity and exercise any necessary market discipline. Edwin Truman, of the Peterson Institute for International Economics, argued during November 2007 Senate Banking Committee hearings on SWFs that

> [t]he development of a set of best practices for sovereign wealth funds, and similar understandings covering other cross-border government investments, offers the most promising way to increase the accountability of these activities, which are likely to increase in relative importance over the next decade. The associated increase in transparency, which is a means to the end of greater accountability, would help to reduce the mysteries and misunderstandings surrounding these governmental activities. At the same time, the environment for them would become more stable and predictable.[64]

---

[62] Statement of G-7 Finance Ministers and Central Bank Governors, October 19, 2007, at [http://treas.gov/press/releases/hp625.htm].

[63] Statement by Henry M. Paulson, Jr. Secretary of the U.S. Treasury before the International Monetary and Finance Committee, International Monetary Fund, October 20, 2007, at [http://www.imf.org/external/am/2007/imfc/statement/eng/usa.pdf].

[64] Edwin M. Truman, "Sovereign Wealth Fund Acquisitions and Other Foreign Government Investments in the United States: Assessing the Economic and National Security Implications," Testimony before the Committee on Banking, Housing, and Urban Affairs United States Senate, November 14, 2007. Prepared testimony is available at [http://banking.senate.gov/_files/111407_Truman.pdf].

While firm IMF guidelines for the operation of SWFs could be beneficial, none of the countries concerned (i.e., the large SWF owners) are borrowers from the IMF and therefore not subject to IMF conditionality. Thus, there are no direct means by which the IMF could secure compliance with any proposed best practices. That said, most SWF owners are members of the IMF and are formally committed to a stable international monetary system. Efforts are underway to increase emerging market countries' vote and overall representation at the IMF.[65] As part of these efforts, countries may be willing to subject themselves to guidelines on SWF transparency.[66]

During the October 20 G7 finance ministers meeting, U.S. Treasury Secretary Henry Paulson hosted an outreach dinner with top SWF managers from around the world to begin the process of negotiating increased levels of SWF transparency. There appears to be some positive reception from leading SWFs. According to Dr. Tony Tan, Executive Director of Singapore's GIC:

> We believe there is a case for further disclosure on the part of sovereign wealth funds in the interest of transparency. Such disclosure can include clarity on the relationship between the funds and the respective governments, their investment objectives and general strategies, and their internal governance and risk management practices.... Any guidelines on sovereign wealth funds should encourage them to operate according to commercial principles with a long- term orientation, free from political motivations. Singapore will participate in formulating a set of principles and best practices for sovereign wealth funds.[67]

In November 2007, the IMF convened the first of a proposed annual roundtable of sovereign asset and reserve managers. At the meeting, delegates from 28 countries discussed how best to address the policy and operational issues faced by managers of growing reserves and sovereign assets.[68] The IMF's work agenda on SWFs was approved at a meeting of the IMF Executive Board, which includes representatives from both sovereign investors and recipients of sovereign wealth, on March 21. 2008.

While the IMF is working to establish guidelines for the management and operations of sovereign wealth funds, the OECD has an ongoing work program to establish a set of best practices for recipients of investments from SWFs.[69] These guidelines would draw on the OECD's extensive work on the treatment of foreign investment in OECD economies. OECD work will also draw on the OECD

---

[65] CRS Report RL33626, *International Monetary Fund: Reforming Country Representation*, by Martin A. Weiss.

[66] For proposals on increasing SWF transparency, see Edwin M. Truman, "Sovereign Wealth Funds: The Need for Greater Transparency and Accountability," *Peterson Institute for International Economics*, August 2007, at [http://iie.com/publications/pb/pb07-6.pdf].

[67] Cited in Huw van Steenis and Huberty Lam, "Sovereign Wealth Funds and Chinese Financials," *Morgan Stanley Research*, January 15, 2008.

[68] IMF Convenes First Annual Roundtable of Sovereign Asset and Reserve Managers, IMF press release No. 07/267, November 16, 2007.

[69] OECD Investment Newsletter, October 2007, Issue 5, at [http://www.oecd.org/dataoecd/0/57/39534401.pdf].

Guidelines for Corporate Governance of State Owned Enterprises (the SOE Guidelines).[70] The Guidelines are applicable to both SWFs and SOEs.

[70] The OECD Guidelines on Corporate Governance of State-Owned Enterprises is available at [http://www.oecd.org/document/33/0,3343,en_2649_37439_34046561_1_1_1_37439,00.html].

7. **Will attempt to cancel scholarship student visa program with Saudi Arabia until they reform their textbooks.**

   Background:

   - **Saudi textbooks that are sanctioned by the Royal Kingdom and distributed throughout the world, specifically in the United States, preach hatred and violence against non-Muslims. Until the Saudi's adequately change the textbooks that are used by young children within the Kingdom and in the United States, we should end their access to our visa program. Why should we be giving the Saudi's benefits of our great country when they are teaching to destroy the United States?**

U.S. Commission Wants Saudi-Funded School Closed Until Textbooks Can Be Reviewed

Friday , October 19, 2007

By Greg Simmons

FOX NEWS

WASHINGTON —

A congressionally mandated panel that promotes religious freedom is recommending the Bush administration close a Virginia-based Islamic school run by the Saudi government if school officials don't comply with demands to turn over textbooks that may include lessons on jihad and intolerance toward other religions.

"Significant concerns remain about whether what is being taught at the (school) promotes religious intolerance and may adversely affect the interests of the United States," said a report released Thursday by the U.S. Commission on International Religious Freedom.

Saudi embassy officials say the books long ago were cleaned up and made available to commission members, but the commissioners never bothered to go to The Islamic Saudi Academy in Northern Virginia, just outside Washington, D.C., to check them out for themselves.

"There's nothing to hide. The books are there," embassy spokesman Nail Al-Jubeir said.

Commission spokeswoman Judith Ingram said the panel did not request to speak to academy officials because that went beyond the commission's mandate, but it has been trying to get a hold of the religious texts, written in Arabic and sanctioned by the Saudi government for use at the school, since this summer.

Without the books in hand, the school should be closed voluntarily until the State Department can determine exactly what the books say, reads the report.

Click here to read the commission's full report.

The panel's findings focuses on a number of areas of concern with Saudi Arabia, including a 2003 study showing that Saudi texts encouraged violence toward others, "misguides the pupils into believing that in order to safeguard their own religion, they must violently repress and even physically eliminate the 'other.'"

A separate study last year conducted by The Center for Religious Freedom, run by Freedom House, and the Institute for Gulf Affairs, found that a ninth-grade Saudi textbook "teaches teenagers in apocalyptic terms that violence towards Jews, Christians and other unbelievers is sanctioned by God," the report reads.

"Because Saudi Arabia is a friend and ally of this country — our sincere hope is that the secretary of state will have a productive dialogue with the Saudi embassy, and that she will be able to secure the textbooks and curriculum that are used," Commissioner Leonard Leo said in an interview with FOXNews.com after a news conference Thursday.

If the texts don't promote violence and comply with accepted human rights standards, then everything is fine, Leo said.

"But if that doesn't work, our hope is that the secretary will invoke the power that she has under the Foreign Missions Act to close the ISA," Leo said. The Foreign Missions Act can be applied because the ISA is "an arm of the Saudi embassy," and therefore can be shuttered by the State Department, commissioners explained.

Commission Deputy Director Tad Stahnke said Thursday commissioners made several official inquiries about the books when they visited Saudi Arabia in May and June, and in the United States through the Saudi embassy.

Specifically, Stahnke said, the commission sent an official request to Saudi Ambassador Adel Al-Jubeir, the school board's chairman and brother to the embassy spokesman. "There was no response from the ambassador," Stahnke said.

The request, written in a June 27 letter, sought "copies of textbooks, which include curricula on Hadith (Islamic traditions), Fiqh (matters of religious law and ritual), Tawhid (matters of belief) and Arabic language and Saudi history used at all grade levels, kindergarten through 12th grade, for schools in Saudi Arabia." The letter also asked for "copies of such textbooks used at all levels of study in the Islamic Saudi Academy's two campuses in Fairfax and Alexandria, Va.," according to a description given to FOXNews.com.

The letter explained that the commission would reveal its findings in a report. Commissioners confirmed that the embassy did receive the fax.

Nail Al-Jubeir said that because the texts are school books, the embassy is the wrong place to look for them. The books the commission wants are printed yearly in paperback and regularly thrown out. The embassy had last year's texts, but not the current year's.

"They can get them from the academy. ... I find that hard to believe that they were in Saudi Arabia and they could not get copies," Al-Jubeir said, noting that because they are official religious school texts, they are widely available and distributed to roughly six million students in Saudi Arabia.

Al-Jubeir said the embassy has no plans to close the school. He added that while the ambassador is the board chairman, the embassy does not meddle in ISA's academic programs.

Stahnke said that the commission was interested particularly in the texts in the United States. He added that because the school is on Saudi-owned or rented land, the commission's protocol is to go directly through the Saudi embassy.

Commissioners said that without more legal authority, it's up to Secretary of State Condoleezza Rice to negotiate with the Saudis to get the texts. They have called on Rice to immediately begin negotiations with the Saudis and report back within 90 days.

In the State Department's daily briefing on Thursday, spokesman Tom Casey did not have an immediate response to the commission's recommendations.

The commission says that Rice can close the school forcibly "on the ground that the non-diplomatic activities of the ISA cannot be conducted by and through an embassy, and because significant concerns remain about whether what is being taught at the ISA promotes religious intolerance and may adversely affect the interests of the United States."

Commissioner Felice Gaer, who was the group's chairwoman when members traveled to Saudi Arabia earlier this year, said that because the commission's recommendations are nonbinding, lawmakers may want to step in to turn the recommendations into law.

"We're an advisory committee. We have no executive authority to tell them to do it. Should Congress wish to (enforce the recommendations), that's — obviously that would be helpful. Should the State Department wish to do this voluntarily, that would be great," Gaer said.

At least one congressman hopes to force the State Department to get moving. Rep. Steve Israel, D-N.Y., said he will introduce legislation to require the State Department to begin within 90 days of the law's enactment the process of getting the documents and reporting back findings to Congress another 90 days later.

It was not clear Thursday if there would be any specific consequences in the bill should the State Department fail to meet the requirements.

The legislation may be unnecessary, said Rep. Frank Wolf, R-Va., suggesting that despite his concerns over Saudi efforts to spread the Wahabbi brand of Islam, which Wolf and a number of critics call "extremist," he thinks the U.S.-Saudi relationship will prevail.

"My sense is that reasonable people will get to the bottom of this," said Wolf, a co-author of the bill that started the commission during the Clinton administration.

Wolf said that if the ISA does have textbooks that promote hate against Jews, Christians or Muslims, "it is unacceptable."

One observer Thursday said that he doesn't think the report went far enough.

"It reflects the present administration policy towards Saudi Arabia. The present administration policy at this time is retreating to its habits prior to 9/11," said Ali Alyami, executive director of the Washington-based Center for Democracy and Human Rights in Saudi Arabia.

Alyami said the Bush administration in its second term has been embracing the Saudi government more.

"This is this same institution that is feeding terrorism, hate toward this country and democracy, and that hasn't changed, regardless of what books have been — what language has been taken out from these books.

"The fact remains the same. Freedom, religious freedom, is non-existent" in Saudi Arabia, Alyami said.

Testimony of
Nina Shea
Director
Freedom House

November 8, 2005

TESTIMONY OF NINA SHEA, DIRECTOR
CENTER FOR RELIGIOUS FREEDOM, FREEDOM HOUSE
BEFORE THE
COMMITTEE ON THE JUDICIARY
U.S. SENATE

"Saudi Arabia: Friend or Foe in the War on Terror"
November 8, 2005

Thank you, Mr. Chairman, for the opportunity to testify before this distinguished Committee. On behalf of Freedom House's Center for Religious Freedom, I wish to present the findings of the report, Saudi Publications on Hate Ideology Invade American Mosques, which Freedom House issued in January 2005, as well as some comments on the shortcomings of the Saudi government's response.

Freedom House's Center for Religious Freedom decided to undertake this project after a number of Muslims and other experts publicly raised concerns about Saudi state influence on American religious life. It complements a May 2003 recommendation of the U.S. Commission on International Religious Freedom, an independent government agency, that the U.S. government conduct a study on Saudi involvement in propagating internationally a "religious ideology that explicitly promotes hate, intolerance, and other human rights violations, and in some cases violence, toward members of other religious groups, both Muslims and non-Muslims."

The Center's study addresses the question: Is Saudi Arabia, our purported ally in the War on Terror, responsible for having planted extremist propaganda within our borders?

In order to document Saudi influence, the material for this report was gathered from a selection of more than a dozen mosques and Islamic centers in American cities, including Los Angeles, Oakland, Dallas, Houston, Chicago, Washington, and New York. In most cases, these sources, while representing a small fraction of the total number of mosques in the United States, are among the most prominent and well-established mosques in their areas. This study did not attempt any general survey of American mosques.
And, as the Center's website states in the electronic version of the report, "We have made no determination that these mosques endorsed any of these materials cited in these reports, or were even aware of their presence."

Many of the tracts in our study are in the voice of a senior authority.

One of them states: "Be dissociated from the infidels, hate them for their religion, leave them, never rely on them for support, do not admire them, and always oppose them in every way according to Islamic law."

The advice of another is emphatic: "There is consensus on this matter, that whoever helps unbelievers against Muslims, regardless of what type of support he lends to them, he is an unbeliever himself."

Another book states that, if relations between Muslims and non-Muslims were harmonious, there would be "no loyalty and enmity, no more jihad and fighting to raise Allah's work on earth."

The books give detailed instructions on how to build a "wall of resentment" between the Muslim and the infidel: Never greet the Christian or Jew first. Never congratulate the infidel on his holiday. Never befriend an infidel unless it is to convert him. Never imitate the infidel. Never work for an infidel. Do not wear a graduation gown because this imitates the infidel. The cover of the book giving this particular set of instructions states: "Greetings from the Cultural Department" of the Embassy of Saudi Arabia in Washington, D.C.

This book was published by the government of Saudi Arabia; it bears no publication date and was found in several locations. The other books are textbooks from the Saudi Education Ministry, and collections of fatwas, religious edicts, issued by the government's religious office, or published by other organizations based in Riyadh and monitored or controlled by the government of Saudi Arabia.

Between late 2004 and December 2005, researchers who are themselves Muslim Americans, gathered samples of over 200 such texts -- all from within America and all spread, sponsored or otherwise generated by Saudi Arabia. They demonstrate the ongoing efforts by Saudi Arabia to indoctrinate Muslims in the United States in the hostility and belligerence of Saudi Arabia's hardline Wahhabi sect of Islam.

The documents we analyzed all have some connection to the government of Saudi Arabia. While not all extremist works are Saudi, Saudi Arabia is overwhelmingly the state most responsible for the publications on the ideology of hate in America. Our findings are consistent with the assessment of the Treasury Department's Office of Terrorism and Financial Intelligence. On July 13, 2005, Treasury Under Secretary Stuart Levey testified before the Senate Banking Committee: "Saudi Arabia-based and funded organizations remain a key source for the promotion of ideologies used by terrorists and violent extremists around the world to justify their hate-filled agenda."

All Saudis must be Muslim, and the Saudi government, in collaboration with the country's religious establishment, enforces and imposes Wahhabism as the official state doctrine. In 2004, the United States State Department designated Saudi Arabia as a "Country of Particular Concern" under the International Religious Freedom Act after finding for many years that "religious freedom did not exist" in the Kingdom. The Saudi policy of denying religious freedom is explained in one of the tracts in this study: "Freedom of thinking requires permitting the denial of faith and attacking what is sacred, glorifying falsehood and defending the heretics, finding fault in religion and letting loose the ideas and pens to write of disbelief as one likes, and to put ornaments on sin as one likes."

The Wahhabi ideology that the Saudi monarchy enforces, and on which it bases its legitimacy, is shown in these documents as a fanatically bigoted, xenophobic and sometimes violent ideology. These publications articulate its wrathful dogma, rejecting the coexistence of different religions and explicitly condemning Christians, Jews, all other non-Muslims, as well as non-Wahhabi Muslims.

The various Saudi publications gathered for this study state that it is a religious obligation for Muslims to hate Christians and Jews and warn against imitating, befriending, or helping such "infidels" in any way, or taking part in their festivities and celebrations. They instill contempt for America because the United States is ruled by legislated civil law rather than by totalitarian Wahhabi-style Islamic law. Some of the publications collected for this study direct Muslims not to take American citizenship as long as the country is ruled by infidels and tell them, while abroad, above all, to work for the creation of an Islamic state. The Saudi textbooks and documents our researchers collected preach a Nazi-like hatred for Jews, treat the forged Protocols of the Elders of Zion as historical fact, and avow that the Muslim's duty is to eliminate the state of Israel. Regarding women, the Saudi state publications in America instruct that they should be veiled, segregated from men and barred from certain employment and roles.

In these documents, other Muslims, especially those who advocate tolerance, are condemned as infidels. The opening fatwa in one Saudi embassy-distributed booklet responds to a question about a Muslim preacher in a European mosque who taught that it is not right to condemn Jews and Christians as infidels. The Saudi state cleric's reply rebukes the Muslim cleric: "He who casts doubts about their infidelity leaves no doubt about his." Since, under Saudi law, "apostates" from Islam can be sentenced to death, this is an implied death threat against the tolerant Muslim imam, as well as an incitement to vigilante violence. Sufi and Shiite Muslims are also viciously condemned. Other Saudi fatwas in the collection declare that Muslims who engage in genuine interfaith dialogue are also "unbelievers." As for a Muslim who fails to uphold Wahhabi sexual mores through homosexual activity or heterosexual activity outside of marriage, the edicts found in certain American mosques advise, "it would be lawful for Muslims to spill his blood and to take his money." Regarding those who convert out of Islam, it is explicitly asserted, they "should be killed."

Much of the commentary in the West on Wahhabi hate ideology is restricted to shallow statements that it is "strict" or "puritanical." The Saudi publications in this study show that there is much more of concern to Americans in this ideology than rigid sexual codes. They show that it stresses a dualistic worldview in which there exist two antagonistic realms or abodes that can never be reconciled, and that when Muslims are in the land of the "infidel," they must behave as if on a mission behind enemy lines. Either they are there to acquire new knowledge and make money to be later employed in the jihad against the infidels, or they are there to proselytize the infidels until at least some convert to Islam. Any other reason for lingering among the unbelievers in their lands is illegitimate, and unless a Muslim leaves as quickly as possible, he or she is not a true Muslim and so too must be condemned. The message of these Saudi government publications and rulings is designed to breed greater aloofness, instill suspicion, and ultimately engender hatred for America and its people.

One insidious aspect of this propaganda is its aim to replace traditional and moderate interpretations of Islam with Wahhabi extremism. Wahhabism began only 250 years ago with the movement created by fanatical preacher Muhammad Ibn Abd al-Wahhab. Once a fringe sect in a remote part of the Arabian peninsula, Wahhabi extremism has been given global reach through Saudi government sponsorship and money, particularly over the past quarter century as it has competed with Iran in spreading its version of the faith. With its vast oil wealth and its position as guardian of Islam's two holiest sites, Saudi Arabia now claims to be the leading power within Islam and the protector of the faith, a belief stated in the Saudi Basic Law. Saudi Foreign Policy Adviser Adel al-Jubeir publicly states that "the role of Saudi Arabia in the Muslim world is similar to the role of the Vatican." Even as the Saudi state asserts that it strives to keep the faith "pure" and free of innovation, it invents a new role for itself as the only legitimate authority on Islam.

One example of how Saudi Arabia asserts its self-appointed role as the authoritative interpreter of Islam within the Muslim world is provided in a collection of fatwas published by the Saudi Embassy's Cultural Department in Washington. Its one-page introduction laments the dearth of competent Islamic scholars among Muslim emigrant communities abroad, and the confusion this has caused about Islamic beliefs and worship. The opening line reads, "The emigrant Muslim communities suffer in these countries from a lack of religious scholars (ulema)." It states that this deplorable situation has led the highest committee of Islamic scholars in the Kingdom to offer authoritative replies to questions frequently asked by Muslims living in the non-Muslim world. These replies are given in authoritative pronouncements that the introduction urges should be official guides for preachers, mosque imams, and students living far from the Kingdom.

A prolific source of fatwas condemning "infidels" in this collection was Sheik 'Abd al-'Aziz Bin 'Abdillah Bin Baz (died 1999), who was appointed by King Fahd in 1993 to the official post of Grand Mufti. As Grand Mufti, he was upheld by the government of Saudi Arabia as its highest religious authority. Bin Baz was a government appointee who received a regular government salary, served at the pleasure of the King, and presided over the Saudi Permanent Committee for Scientific Research and the Issuing of Fatwas, an office of the Saudi government. His radically dichotomous mode of thinking, coupled with his persistent demonizing of non-Muslims and tolerant Muslims, runs through the fatwas in these publications. Bin Baz was responsible for the unique fatwa, enforced in no other Muslim country, barring Saudi women from driving. Though Bin Baz is now dead, his fanatical fatwas continue to be treated as authoritative by the Saudi government.

As I previously stated, the Center has not attempted to measure the extent and effect of Saudi publications here. However, as the website of King Fahd states, "the cost of King Fahd's efforts in this field has been astronomical." Some, such as Alex Alexiev of the Center for Security Policy who testified before this Committee in 2003, have estimated Saudi spending on the export of extremist ideology globally to measure three to four times what the Soviets spent on external propaganda during the height of the Cold War. As oil revenues rise for the Saudis, this might well increase.

Singapore's main newspaper recently published an interview with Sheik Muhammad Hisham Kabbani, the Lebanese-American chairman of the Islamic Supreme Council of America and a distinguished Islamic scholar: "Back in 1990, arriving for his first Friday prayers in an American mosque in Jersey City, he was shocked to hear Wahhabism being preached. 'What I heard there, I had never heard in my native Lebanon. I asked myself: Is Wahhabism active in America? So I started my research. Whichever mosque I went to, it was Wahhabi, Wahhabi, Wahhabi,Wahhabi.'"

In an interview on October 26, 2001, with PBS Frontline, Dr. Maher Hathout, identified by PBS as a senior adviser to the Muslim Public Affairs Council and the spokesperson for the Islamic Center of Southern California, this very question about Saudi influence in America is posed by the interviewer. Dr Hathout answered: "[T]hey send imams and books in Arabic. And these books are translated into English and the translation is not always very good. And they are talking about an environment that is obsolete, the world-view of the unbelievers fighting the believers. So it comes very irrelevant to the diversity and the pluralism in America. These books are all over the place, because they can afford to make very glossy magazines and distribute it for free" (emphasis added). MPAC has announced a policy of not accepting Saudi support.

Within worldwide Sunni Islam, followers of Wahhabism and other hardline or salafist (literally translated as venerable predecessors) movements remain a distinct minority. This is evident from the millions of Muslims who have chosen to make America their home and are upstanding, law-abiding citizens and neighbors. In fact it was just such concerned Muslims who first brought these publications to our attention. They decry the Wahhabi interpretation as being foreign to the toleration expressed in Islam and its injunction against coercion in religion. They believe they would be forbidden to practice the faith of their ancestors in today's Saudi Arabia, and are grateful to the United States and other Western nations for granting them religious freedom. They also affirm the importance of respecting non-Muslims, pointing to verses in the Koran that speak with kindness about non-Muslims. They raise examples of Islam's Prophet Mohammed visiting his sick Jewish neighbor, standing in deference at a Jew's funeral procession, settling a dispute in favor of a truthful Jew over a dishonest person who was Muslim, and forming alliances with Jews and polytheists, among others. They criticize the Wahhabis for distorting and even altering the text of the Koran in support of their bigotry. They say that in their tradition jihad is applicable only in the defense of Islam and Muslims, and that it is commendable, not an act of "infidelity," for Muslims, Jews, and Christians to engage in genuine dialogue.

Fifteen of the September 11 hijackers were Saudi subjects indoctrinated from young ages in just such Wahhabi ideology, possibly from some of the very same textbooks and fatwa collections in our study. Saudi state curriculum for many years has taught children to hate "the other" and support jihad, a malleable term that is used by terrorists to describe and justify their atrocities.

For example, a book for third-year high school students published by the Saudi Ministry of Education that was collected in Oakland, California, teaches students to prepare for jihad in the sense of war against Islam's enemies, and to strive to attain military self-sufficiency: "To be true Muslims, we must prepare and be ready for jihad in Allah's way. It is the duty of the citizen and the government. The military education is glued to faith and its meaning, and the duty to follow it."

Saudi commentators, themselves, have drawn the link between, on one hand, the large number of Saudis involved on September 11, and among the al Qaeda prisoners in Guantanamo Bay and the insurgents in Iraq, and, on the other, the culture of religious rage and violence that is part of Saudi religious education. A study presented to a Saudi forum of 60 intellectuals, researchers, clerics and public figures, convened by Saudi then-Crown

Prince Abdullah in December 2003 as part of a "National Dialogue" series, found "grave defects" in the religious curricula of the state's boys' schools, particularly with regard to "others," that is, non-Muslims and non-Wahhabi Muslims. The researchers concluded that this approach "encourages violence toward others, and misguides the pupils into believing that in order to safeguard their own religion, they must violently repress and even physically eliminate the 'other,'" according to a summary of the study by MEMRI. The Saudi forum concluded with recommendations for reforming the religious curriculum.

The Saudi government is currently waging a multi-million dollar public relations campaign in the United States, which among other activities advertised in American journals that the Kingdom's textbooks are being "updated." In an interview on October 14, 2005 with Barbara Walters, King Abdullah responded to a question about extremism and hatred in Saudi textbooks with the assurance, "We have toned them down."

We have not attempted to investigate this claim but we remain skeptical based on our own interviews last December of Saudi official religious scholars who denied that reform was necessary and said that textbook reform would have to "evolve slowly over many years," as well as other reports. We do not find it reassuring that, following the release of our study, the government of Saudi Arabia appointed as the new education minister a former director of the Muslim World League, Abdullah al Obeid. The Wall Street Journal reported (Feb. 9, 2005) that "Mr. Obeid was secretary general of MWL from 1995-2002, a period when the huge Saudi-government-funded organization fell under intense scrutiny from Asia to North America for spending tens of millions of dollars to finance the spread of Saudi Arabia's austere brand of fundamentalist Islam." It is one of the 25 Islamic organizations placed under investigation by the U.S. Senate Finance Committee for "financ[ing] terror and perpetuat[ing] violence."

What we have confirmed is that, as of ten months ago, the retrograde, unreformed editions of Saudi textbooks and state-sponsored fatwa collections remained in circulation in some prominent American mosques.

The global spread of Islamic extremism, such as Wahhabism, is the most serious ideological challenge of our times. Senator Jon Kyl, chairman of the Judiciary Committee's Subcommittee on Terrorism, who held hearings on Wahhabism, asserted: "A growing body of accepted evidence and expert research demonstrates that the Wahhabi ideology that dominates, finances and animates many groups here in the United States, indeed is antithetical to the values of tolerance, individualism and freedom as we conceive these things." The 9/11 Commission was even more emphatic that a threat is posed "even in affluent countries, [where] Saudi-funded Wahhabi schools are often the only Islamic schools," (page 370) and that "education that teaches tolerance, the dignity and value of each individual , and respect for different beliefs is a key element in any global strategy to eliminate Islamist terrorism."

Wahhabi extremism is more than hate speech; it is a totalitarian ideology of hatred that can incite to violence. The fact that a foreign government, namely Saudi Arabia, has been working to mainstream within our borders such hate ideology demands our urgent attention. This Committee and the press have previously examined the extremist infiltration of the prison and military chaplain programs in the United States. The Saudi textbooks and publications described in the Center's report could also pose a serious threat to American security and to the traditional American culture of religious toleration and freedom.

I believe that, not only does the government of Saudi Arabia not have a right to spread educational materials based on an ideology of religious hatred against Jews, Christians, other Muslims such as Shiites and Sufis, and others within U.S. borders, by the fact that it is a government actor and member of the United Nations, it is committing a human rights violation in doing so. A government that advocates religious intolerance and hatred violates the religious freedom and tolerance provisions of Article 18 of the Universal Declaration of Human Rights.

The September 2005 report by the U.S. Government Accountability Office, U.S. Agencies' Efforts to Address Islamic Extremism, indicates that recent Saudi claims to have made reforms cannot be taken at face value. They must be verified:

The GAO report concludes that while Saudi Arabia claims to have made reforms, and in some case has done so, "U.S. agencies do not know the extent of the Saudi government's efforts to limit the activities of Saudi sources that have allegedly propagated Islamic extremism outside of Saudi Arabia." (Emphasis added).

• Specifically, the GAO reports that, "as of July 2005, agency officials did not know if the government of Saudi Arabia had taken steps to ensure that Saudi-funded curricula or religious activities in other countries do not propagate extremism." (Emphasis added).

• The government of Saudi Arabia, and State and Treasury officials in the U.S. have publicly declared that Saudi Arabia is undertaking a number of charity reforms, including requiring all private Saudi donations marked for international distribution to flow through a new National Commission for Relief and Charity Work Abroad. However, the GAO report found: "[A]s of July 2005, this commission was not yet fully operational, according to Treasury." (Emphasis added).

• In 2004, Saudi Arabia and the United States announced they had jointly designated nine al Haramain Foundation offices as terrorist financiers, and Saudi Arabia announced its intentions to close down al Haramain Foundation. But the GAO report states that in May 2005 "a Treasury official told us it was unclear whether the Saudi government had implemented its plans." (Emphasis added).

These GAO assertions make clear that either the Saudis have failed to follow through on important reforms and/or the U.S. has failed to verify whether or not the reforms have been carried out. Either case is deeply troubling.

The GAO report concludes that, while U.S. government officials and other experts believe that the spread of Islamic extremism, rather than al Qaeda, is the "pre-eminent threat facing the United States," U.S. government agencies lack a common definition of Islamic extremism, as well as a coordinated approach to it. Furthermore, the GAO report concludes that "The agencies do not distinguish between efforts or programs intended to target Islamic extremism indigenous to a country and those intended to target outside influences, such as Saudi Arabia." (Emphasis added).

Recommendations

I urge this Committee to seriously consider the following recommendations, which are drawn from those of the U.S. Commission on International Religious Freedom, an independent government agency:

1. The State Department Annual Report on International Religious Freedom should include in its reporting on Saudi Arabia an analysis of the content of Saudi textbooks and other Saudi state publications promoting or condoning anti-Semitism and religious hatred.

2. The U.S. government should issue a formal demarche urging the government of Saudi Arabia to cease funding or providing other support for written materials or activities that explicitly promote hate, intolerance, and human rights violations. Further it should urge the government of Saudi Arabia to:

A. Provide an accounting of what kinds of Saudi support have been and continue to be provided to which religious schools, mosques, centers of learning, and other religious organizations globally;

B. Stop funding religious activities abroad until the Saudis know the content of the teachings and are satisfied that they do not promote hatred, intolerance, or other human rights violations;

C. Monitor, regulate, and report publicly about the activities of Saudi charitable organizations based outside Saudi Arabia in countries throughout the world;

D. Cease granting diplomatic status to Islamic clerics and educators teaching outside Saudi Arabia, and close down any Islamic affairs sections in Saudi embassies throughout the world that have been responsible for propagating intolerance, as it has already apparently done within the U.S.;

Finally, even should the Saudis stop exporting and supporting extremist propaganda, their extremist textbooks, study guides, and fatwa collections will remain in circulation here and in other countries for years to come. Some American mosques have voluntarily made it their policy to screen out and reject Saudi-supplied educational materials and publications; this is an important model for all.

Thank you, Mr. Chairman and Members of the Committee. This concludes my testimony.

- TOP OF THIS PAGE
- RETURN TO HOME

PRINTABLE VERSION

washingtonpost.com

This is a Saudi textbook. (After the intolerance was removed.)

By Nina Shea
Sunday, May 21, 2006; B01

Saudi Arabia's public schools have long been cited for demonizing the West as well as Christians, Jews and other "unbelievers." But after the attacks of Sept. 11, 2001 -- in which 15 of the 19 hijackers were Saudis -- that was all supposed to change.

A 2004 Saudi royal study group recognized the need for reform after finding that the kingdom's religious studies curriculum "encourages violence toward others, and misguides the pupils into believing that in order to safeguard their own religion, they must violently repress and even physically eliminate the 'other.' " Since then, the Saudi government has claimed repeatedly that it has revised its educational texts.

Prince Turki al-Faisal, the Saudi ambassador to the United States, has worked aggressively to spread this message. "The kingdom has reviewed all of its education practices and materials, and has removed any element that is inconsistent with the needs of a modern education," he said on a recent speaking tour to several U.S. cities. "Not only have we eliminated what might be perceived as intolerance from old textbooks that were in our system, we have implemented a comprehensive internal revision and modernization plan." The Saudi government even took out a full-page ad in the New Republic last December to tout its success at "having modernized our school curricula to better prepare our children for the challenges of tomorrow." A year ago, an embassy spokesman declared: "We have reviewed our educational curriculums. We have removed materials that are inciteful or intolerant towards people of other faiths." The embassy is also distributing a 74-page review on curriculum reform to show that the textbooks have been moderated.

The problem is: These claims are not true.

A review of a sample of official Saudi textbooks for Islamic studies used during the current academic year reveals that, despite the Saudi government's statements to the contrary, an ideology of hatred toward Christians and Jews and Muslims who do not follow Wahhabi doctrine remains in this area of the public school system. The texts teach a dualistic vision, dividing the world into true believers of Islam (the "monotheists") and unbelievers (the "polytheists" and "infidels").

This indoctrination begins in a first-grade text and is reinforced and expanded each year, culminating in a 12th-grade text instructing students that their religious obligation includes waging jihad against the infidel to "spread the faith."

Freedom House knows this because Ali al-Ahmed, a Saudi dissident who runs the Washington-based Institute for Gulf Affairs , gave us a dozen of the current, purportedly cleaned-up Saudi Ministry of Education religion textbooks. The copies he obtained were not provided by the government, but by teachers, administrators and families with children in Saudi schools, who slipped them out one by one.

Some of our sources are Shiites and Sunnis from non-Wahhabi traditions -- people condemned as "polytheistic" or "deviant" or "bad" in these texts -- others are simply frustrated that these books do so little to prepare young students for the modern world.

We then had the texts translated separately by two independent, fluent Arabic speakers.

Religion is the foundation of the Saudi state's political ideology; it is also a key area of Saudi education in which students are taught the interpretation of Islam known as Wahhabism (a movement founded 250 years ago by Muhammad ibn Abd al-Wahhab) that is reflected in these textbooks.

Scholars estimate that within the Saudi public school curriculum, Islamic studies make up a quarter to a third of students' weekly classroom hours in lower and middle school, plus several hours each week in high school. Educators who question or dissent from the official interpretation of Islam can face severe reprisals. In November 2005, a Saudi teacher who made positive statements about Jews and the New Testament was fired and sentenced to 750 lashes and a prison term. (He was eventually pardoned after public and international protests.)

The Saudi public school system totals 25,000 schools, educating about 5 million students. In addition, Saudi Arabia runs academies in 19 world capitals, including one outside Washington in Fairfax County, that use some of these same religious texts.

Saudi Arabia also distributes its religion texts worldwide to numerous Islamic schools and madrassas that it does not directly operate. Undeterred by Wahhabism's historically fringe status, Saudi Arabia is trying to assert itself as the world's authoritative voice on Islam -- a sort of "Vatican" for Islam, as several Saudi officials have stated-- and these textbooks are integral to this effort. As the report of the commission investigating the Sept. 11 attacks observed, "Even in affluent countries, Saudi-funded Wahhabi schools are often the only Islamic schools" available.

Education is at the core of the debate over freedom in the Muslim world. Al-Qaeda leader Osama bin Laden understands this well; in a recent audiotape he railed against those who would "interfere with school curricula."

The passages below -- drawn from the same set of Saudi texts proudly cited in the new 74-page review of curriculum reform now being distributed by the Saudi Embassy -- are shaping the views of the next generation of Saudis and Muslims worldwide. Unchanged, they will only harden and deepen hatred, intolerance and violence toward other faiths and cultures. Is this what Riyadh calls reform?

religion@freedomhouse.org

FIRST GRADE

" Every religion other than Islam is false."

"Fill in the blanks with the appropriate words (Islam, hellfire): Every religion other than ______________ is false. Whoever dies outside of Islam enters ____________."

FOURTH GRADE

"True belief means . . . that you hate the polytheists and infidels but do not treat them unjustly."

FIFTH GRADE

"Whoever obeys the Prophet and accepts the oneness of God cannot maintain a loyal friendship with those who oppose God and His Prophet, even if they are his closest relatives."

"It is forbidden for a Muslim to be a loyal friend to someone who does not believe in God and His Prophet, or someone who fights the religion of Islam."

"A Muslim, even if he lives far away, is your brother in religion. Someone who opposes God, even if he is your brother by family tie, is your enemy in religion."

SIXTH GRADE

"Just as Muslims were successful in the past when they came together in a sincere endeavor to evict the Christian crusaders from Palestine, so will the Arabs and Muslims emerge victorious, God willing, against the Jews and their allies if they stand together and fight a true jihad for God, for this is within God's power."

EIGHTH GRADE

"As cited in Ibn Abbas: The apes are Jews, the people of the Sabbath; while the swine are the Christians, the infidels of the communion of Jesus."

"God told His Prophet, Muhammad, about the Jews, who learned from parts of God's book [the Torah and the Gospels] that God alone is worthy of worship. Despite this, they espouse falsehood through idol-worship, soothsaying, and sorcery. In doing so, they obey the devil. They prefer the people of falsehood to the people of the truth out of envy and hostility. This earns them condemnation and is a warning to us not to do as they did."

"They are the Jews, whom God has cursed and with whom He is so angry that He will never again be satisfied [with them]."

"Some of the people of the Sabbath were punished by being turned into apes and swine. Some of them were made to worship the devil, and not God, through consecration, sacrifice, prayer, appeals for help, and other types of worship. Some of the Jews worship the devil. Likewise, some members of this nation worship the devil, and not God."

"Activity: The student writes a composition on the danger of imitating the infidels."

NINTH GRADE

"The clash between this [Muslim] community (umma) and the Jews and Christians has endured, and it will continue as long as God wills."

"It is part of God's wisdom that the struggle between the Muslim and the Jews should continue until the hour [of judgment]."

"Muslims will triumph because they are right. He who is right is always victorious, even if most people are against him."

TENTH GRADE

The 10th-grade text on jurisprudence teaches that life for non-Muslims (as well as women, and, by implication, slaves) is worth a fraction of that of a "free Muslim male." Blood money is retribution paid to the victim or the victim's heirs for murder or injury:

"Blood money for a free infidel. [Its quantity] is half of the blood money for a male Muslim, whether or not he is 'of the book' or not 'of the book' (such as a pagan, Zoroastrian, etc.).

"Blood money for a woman: Half of the blood money for a man, in accordance with his religion. The blood money for a Muslim woman is half of the blood money for a male Muslim, and the blood money for an infidel woman is half of the blood money for a male infidel."

ELEVENTH GRADE

"The greeting 'Peace be upon you' is specifically for believers. It cannot be said to others."

"If one comes to a place where there is a mixture of Muslims and infidels, one should offer a greeting intended for the Muslims."

"Do not yield to them [Christians and Jews] on a narrow road out of honor and respect."

TWELFTH GRADE

"Jihad in the path of God -- which consists of battling against unbelief, oppression, injustice, and those who perpetrate it -- is the summit of Islam. This religion arose through jihad and through jihad was its banner raised high. It is one of the noblest acts, which brings one closer to God, and one of the most magnificent acts of obedience to God."

Nina Shea is director of the Center for Religious Freedom at Freedom House.

CNSNEWS.COM™
Cybercast News Service

The Nation

10,000 Saudi Students on US Campuses

By Fred Lucas
CNSNews.com Staff Writer
February 16, 2007

(CNSNews.com) - Two years ago President Bush and Saudi Arabia's then Crown Prince Abdullah jointly called for a greater exchange of students, but recent revelations of a terror plot and a history of lax screening have raised concerns about the nearly 10,000 Saudis in the United States on student visas.

The visa figures from the U.S. Immigrations and Customs Enforcement were revealed less than a month after the Defense Intelligence Agency issued an unclassified statement that said al Qaeda's Iraq faction considered using student visas to get more than a dozen operatives into the United States.

U.S. officials told media organizations the plan was in its early stages and that none of the operatives had entered the United States.

Considering that 15 of the 19 9/11 hijackers were Saudis and some had been issued student visas, the new information on Saudi student visa numbers is highly relevant, said Chris Farrell, director of investigations and research for Judicial Watch.

The government watchdog obtained the numbers from ICE through the Freedom of Information Act.

"The correlation here is very relevant" to the reports of the al Qaeda plot, Farrell told **Cybercast News Service**.

"Expanding student travel sounds fine assuming there have been corrections to the visa program. But we know there are innumerable problems with the visa program, including visa fraud and manipulation," he said.

"If you have 10,000 Saudis in the country, the American people need to know about it," Farrell continued. He acknowledged that "if 15 of the hijackers were not from Saudi Arabia, we wouldn't even be talking about this."

The precise numbers from ICE were 9,952 "active Saudi Arabian students" in the United States. There are a total of 611,581 foreign students in the United States, according to ICE.

Almost two years ago, the U.S. agreed to allow up to 21,000 Saudi students into the United States. A spokesman with the Saudi embassy in Washington could not be reached for comment this week.

In a joint statement on April 25, 2005, Bush and Abdullah said the two countries "agree that our future relations must rest on a foundation of broad cooperation. We must work to expand dialogue, understanding and interaction between our citizens. This will include programs designed to ... increase the number of young Saudi students to travel and study in the United States."

Acquiring a student visa can be a rigorous process involving fingerprinting, background screening and interviewing, according to the U.S. State Department's website.

It begins with requiring documentation from the school the student will attend stating how long the course or program will be. Also, students must supply past school transcripts, test scores and similar material.

When a student has a visa, the Student Exchange Visitor Information System (SEVIS) must inform government agencies that have an interest regarding foreign students, including the State Department and Department of Homeland Security.

SEVIS determines if a student stops attending class or otherwise violates a visa, when their visa expires and other matters.

After 9/11, students seeking to come to the United States were required to apply earlier because of new screening methods, the website says.

A lax system could be a threat in the United States if evidence from Europe is any guide.

According to a Nixon Center expert in 2005, 60 percent of terrorists who entered Europe in the previous decade did so via student visas.

While caution is advised with regard to student visas, strict cuts on the number of student visas would be shortsighted from a national security standpoint, said David Schanzer, director of the Triangle Center on Terrorism and Homeland Security at Duke University.

"There are two perspectives. You must scrutinize with care to be sure terrorists aren't getting into the country through an easy route of access," Schanzer told **Cybercast News Service**.

"But to deal with the problems of Islamic fundamentalism and the Middle East, it's vital to have young people learn about America and come to our universities to learn about our culture," he added.

"Those people can become leaders and heads of companies and encourage Muslim countries to engage the modern world or go back to their countries with a better understanding of the west."

More needs to be done to monitor how any foreigners enter the country and what they do when the leave, said John Keely, spokesman for the Center for Immigration Studies in Washington, D.C.

"Congress and the administration have done little to shore up vulnerabilities in the system," Keely told **Cybercast News Service**. "We are the only industrialized country in the world with comings and goings that doesn't know the goings."

Make media inquiries or request an interview with Fred Lucas.

Subscribe to the free CNSNews.com daily E-brief.

E-mail a comment or news tip to Fred Lucas.

Send a Letter to the Editor about this article.

8. **Will introduce a bill to restrict R-1/R-2 religious visas for imams who come from countries that do not allow reciprocal visits by non-Muslim clergy.**

Background:

- **Too many imams immigrating here on such visas from Pakistan, Saudi Arabia, Egypt and other Muslim countries have been caught up in counterterrorism investigations. They are a serious potential national security threat, since they can radicalize scores of young Muslim men. Yet the State Department in its visa-application process and the Department of Homeland Security in its border security procedures essentially treat Muslim clerics no differently than they would Buddhist monks from Thailand.**

Imams and the Religious Visa -- Unbelievable !

-------- Original Message --------
Subject: =09[BorderWar] Imams and the Religious Visa -- Unbelievable !
Date: =09Sat, 18 Jun 2005 00:09:25 -0000
From: =09Jim
Reply-To: =09BorderWar@yahoogroups.com
To: =09BorderWar@yahoogroups.com

VDARE.COM - http://www.vdare.com/guzzardi/050617_vfl.htm

June 17, 2005

View From Lodi, CA: The Imams and the Religious Visa
By Joe Guzzardi

Last week?s FBI probe into the possibility that two local Lodi men, U.S. born Hamid Hayat, 24, and his father, Umer Hayat, 47, might have ties to Al Queda, should also draw attention to one the nation?s biggest problems in the terrorism war: visa fraud.

Note that also arrested on "immigration violations" were two imams, Muhammed Adil Khan, 47, and Shabbir Ahmed, 42, and Khan?s 19-year old son, Mohammad Hassan Adil.

According to the Lodi News-Sentinel, Khan and Ahmed are in the United States on religious worker, or R-1, visas. Khan?s 19-year-old son, Hassan Adil, is here on a R-2 visa issued to religious worker family members. [Lawyer for three Lodi men arrested and held on immigration charges blasts FBI By Andrew Adams ,Jun 14, 2005]

Although the F.B.I. refuses to discuss any specifics, "violations" historically translates into either falsifying a visa application or overstaying the term of ones visa.

Regardless of the outcome of these specific Lodi cases that the San Francisco immigration court will hear within several weeks, the religious visa program has been rife with fraud since its creation by Congress in 1990.

Americans concerned about the war on terrorism should be aware of the R-1 visa and how it?and other easily obtained visas?is abused.

Each year, thousands of R-1 nonimmigrant visas are issued to foreigners to come to America to allegedly pursue religious endeavors. The visas are issued to fill a supposed shortage of religious professionals among the Christian, Jewish and Muslim faiths.

According to the U.S. Citizenship and Immigration Service website, anyone who receives a R-1 visa must demonstrate strong ties to his home country?supposedly assuring he will return? and he must also agree to stay for a specific, short-term period.

But in reality, the visa holders may not intend to return.

Consider these examples from the ugly R visa history.

First, Sheikh Omar Abdul Rahman, the Egyptian cleric who plotted the 1993 World Trade Center bombing, came to the U.S. on a religious visa.

Rahman, who received his visa despite being on a terrorist watch list, ultimately overstayed his legally permitted time in the country thus enabling him to perpetrate the WTC attack.

Second, in its 1999 report titled "Visa Issuance: Issues Concerning the Religious Worker Program," [PDF] the General Accounting Office discovered active R visa fraud scams in churches in Colombia, Fiji and Russia.

The G.A.O. concluded that, "Neither INS or the State Department knows the extent of the fraud in the religious worker program."

Third, in 2002, the G.A.O.?s findings were confirmed when the New York U.S. Attorney?s Office filed a complaint against Muslim Muhammed Khalil, his son Amil and three others.

The five were charged with filing false R visa applications on behalf of 200 Middle Eastern aliens. Charging $8,000 per application, Khalil submitted applications that used false names, fake occupations, non-existent universities and bogus religious training certificates.

Khalil and his associates were arrested. The whereabouts of most of the others among the 200 who received religious visas remain unknown.

Fourth and most recently, according to a 42-count indictment made by the federal grand jury in Dallas and unsealed in July 2004, the Holy Land Foundation for Relief and Development and its leaders were charged with funding the terrorist organization HAMAS as well as money laundering and tax evasion.

The HLF, then the largest Muslim charity operating in the US, had its assets frozen in December 2001. Four of its employees were in the U.S. on R visas.

In light of the Lodi case, some focus on the R-2 visa given to immediate family members is worthwhile.

Anyone who is in the U.S. on an R-2 visa is free to marry. If he marries an American citizen, then he is on the path to a green card.

If he marries a non-U.S. citizen, the couple?s children are American citizens. Either way, the R-2 visa holder has taken the first step toward American citizenship.

An R-2 visa holder?s flexibility is particularly important considering that Osama bin Laden has repeatedly stated that the most important thing in his jihad mission to destroy America is to recruit U.S. passport holders.

Readers who are interested in learning more about visa fraud should read syndicated columnist Michelle Malkin?s 2002 book, "Invasion: How America Still Welcomes Terrorists, Criminals and Other Foreign

Menaces on Our Shores" and the 2002 Center for Immigration Studies report titled "The Open Door: How Militant Islamic Terrorists Entered and Remained in the U.S. 1993-2001."

(Author?s note: much of the information in this column came from Michelle Malkin?s website.)

Regarding the R-1 visa, VDARE.COM?s own Juan Mann echoed the findings of the G.A.O. report when he told me:

"No one ever gets deported who overstays his R-1 visa, since there's no way for the government to ever know if they go out of status . . . unless they come to the attention of law enforcement some other way?like a D.U.I. or attending a terrorist camp in Pakistan."

No matter what the truth is in the Lodi case, the Bush administration owes it to America to tighten up on religious visas. The R-1 visa provides easy access into the country for people who may be intent on harming us.

The U.S. can get along perfectly well without the R-1 visa. But we may not be able to survive if the government continues to issue them.

Joe Guzzardi [email him], an instructor in English at the Lodi Adult School, has been writing a weekly column since 1988. It currently appears in the Lodi News-Sentinel.

9. Will introduce a bill to cancel contracts to train Saudi police and other security forces in US Counterterrorism tactics until the Saudi's certify the prosecution of Al Qaeda financiers, like Yasin al-Kadi, and the detention of repatriated Guantanamo terrorists that keep being released into the general population after being "rehabilitated".

Background:

- **Under Saudi law, terrorists are allegedly rehabilitated and then sent back into the public. The terms of the rehabilitation apparently state that the terrorists pledge to not attack within Saudi Arabia. However, they are not required to make a pledge not to attack outside Saudi Arabia, such as against U.S. Armed Forces in Iraq.**

- **Yasin al-Kadi (or al-Qadi) is listed by the US Government as a terror financier. His funds have been frozen in the United States and by the United Nations and European Union. A senior Treasury official recently complained on ABC News that the Saudi Government has failed to comply with US requests to prosecute al-Kadi.**

- **However, rather than hold Saudi Arabia accountable for making sure such terrorist financiers are held responsible for aiding terrorism, we have given them a pass. In response, we need to show that we are serious and put some "sticks" with our "carrots".**

Forbes.com

International

The Al Qadi Affair

Richard C. Morais with Denet C. Tezel 01.24.08, 6:00 PM ET

Did the "Specially Designated Global Terrorist," Yasin Al Qadi, evade U.N. sanctions with the help of politically connected friends in Turkey?

Yasin Al Qadi is a 52-year-old Saudi businessman who was listed, in October 2001, as a "Specially Designated Global Terrorist" by the U.S. Treasury, alleged to have financed Osama bin Laden, Hamas and other terrorist groups by funneling funds through "charities" and business fronts. At the request of the U.S, and supported by Saudi Arabia, the United Nations Security Council also placed Al Qadi on its global terrorist list in 2001, where he remains today.

Not everyone agrees with this picture of Al Qadi. "I know Mr. Qadi," Turkish Prime Minister, Recep Tayyip Erdogan told a local television news station in July 2006. "I believe in him as I believe in myself. For Mr. Qadi to associate with a terrorist organization, or support one, is impossible."

Al Qadi's complicated financial dealings pop up in terror-related inquiries that stretch from Albania to the U.S., yet it is not clear to the public what the underlying evidence for Al Qadi's U.N. listing is. But this we know: The evidence is independently reviewed behind closed doors by the 15 Security Council nations, and the U.N. has a process in place that allows for challenges and delisting. Yasin Al Qadi has never been delisted. Since 2001, U.N. Security Council resolutions, such as 1267 and 1333, legally require nations everywhere--including Turkey--to "freeze without delay" Al Qadi's "assets," "funds" and "economic resources."

Guy Martin, Al Qadi's U.K. lawyer, states his client is caught in a "financial Guantanamo," not charged with a crime but branded a terrorist. Furthermore, a Swiss criminal investigation into his client was ultimately dropped, and the Advocate General of the European Court of Justice has just given a non-binding opinion recommending Al Qadi's asset freezes in Europe be set aside because they infringe on his right to a fair hearing. Says Al Qadi: "I have never supported ... Osama bin Laden or Al Qaeda." (Read his lawyer's responses here and here.)

Back to Turkey: Al Qadi is not just a friend of Prime Minister Erdogan, but he's close to a group of Islamic businessmen and politicians around the prime minister. It has already been widely reported in the press, mostly notably in a *Wall Street Journal* article in August 2007, that Al Qadi was a major and early investor in BIM, a food retailer originally founded in the mid-1990s by entrepreneurial brothers Aziz and Cuneyd Zapsu. According to Al Qadi's lawyer, the Saudi exited BIM in 1999, despite reports to the contrary, and well before his controversial U.N. listing. (BIM has since been sold by the Zapsus, and is today an independent and publicly listed company.)

H. Cuneyd Zapsu is Prime Minister Erdogan's close personal aide, commonly referred to as the "shadow foreign minister" or "Erdogan's right hand." Aziz Zapsu, meanwhile, is considered to be Turkey's "retail guru" (See "Turkey's Double Edge") and is today financed by the likes of AIG Investments and the Rohatyn Group. In his first interview in 12 years, Aziz Zapsu told Forbes that Al Qadi was their "famous, so-called problematic friend."

This curious remark prompted Forbes to pore over hundreds of pages of corporate Turkish documents. Reports to date have largely focused on Al Qadi's former interest in BIM, but Turkey is dominated by corporate pyramids, and our investigations looked at a half-dozen Turkish firms--such as Nimet, Ahsen, GMD, Saglam, Teksu and Saglik--with a similar cluster of shareholders. Our findings are based almost entirely on official records that have only fairly recently become accessible through the digitization of Turkey's archives and new online tools.

On Dec. 30, 2001, well before Erdogan and his Islamic party, the AKP, came to power, the Turkish government froze the local assets of Al Qadi, and then investigated the two companies where the Saudi was the majority shareholder: Ella Film

Productions and Caravan Exports. Since then, a freeze on Al Qadi's assets has been in place globally and locally (a Turkish lower court lifted the freeze in 2006, but its ruling was soon reversed by a higher court).

We found several complicated asset shuffles that could warrant closer examination by the U.N. Here are just two Caravan and Ella-related transactions that go to the heart of the question: Did the Turkish government allow Al Qadi to trade assets despite U.N. Security Council resolutions specifically freezing the Saudi's assets?

Transaction 1: In November 2002, two weeks after Erdogan's party won the election, Al Qadi's asset, Caravan, transferred its holding in a firm, Saglam, to a company called Saglik ve Bakim. Saglik was founded by Cuneyd Zapsu, the man who is now the Prime Minister's aide, and other members of the Zapsu family. The notarized transfer of Caravan's holding was signed, on behalf of Saglik, by both Aziz and Cuneyd Zapsu. Al Qadi's Caravan was legally represented in the sale by M. Fatih Sarac, a key business partner of Al Qadi and the Zapsus.

Transaction 2: In July 2003, Aziz Zapsu was the chairman of real estate developer GMD Gayrimenkul Degerlendirme, owning the minimum shares to occupy the chairman's seat, while the majority of the shares were owned by mutual partner Fatih Sarac. (The previous year, GMD was majority-owned by Aziz and Cuneyd Zapsu.)

By the end of 2003, GMD took control of Saglam, through the shares previously owned by Saglik (see Transaction 1, above.) Then, on Feb. 23, 2004, Saglam acquired, for $640,000, the 11th floor of an office building owned by Al Qadi's Caravan. A month later, GMD itself spent $1.7 million purchasing from Al Qadi's Caravan and Ella the 10th floor of the same office building and property in an Istanbul apartment complex.

According to official filings, Al Qadi's Ella and Caravan then booked their real estate profits, for accounting purposes, as "paid-in capital" to avoid paying various taxes. In early 2004, the Finance Ministry's Istanbul tax office officially signed off on the tax-efficient real estate sales of Al Qadi's companies.

These activities raise questions: If financial investigators followed these complicated asset shuffles through to their conclusion, will they find that Yasin Al Qadi ultimately benefited from these trades? What, for example, happened to the cash that was booked, for accounting purposes, as paid-in capital when Caravan and Ella sold real estate to Al Qadi's friends? And why did Turkey's Finance Ministry, legally responsible for enforcing the U.N.-imposed asset freeze, approve these real estate sales? As a leading Turkish financial authority says, "The soul of a freeze is to stop and take control of the cash flow."

We couldn't get the offices of the Turkish Prime Minister and the Finance Minister to answer. Nor would Cuneyd Zapsu reply to our queries. Aziz Zapsu states, "I am not aware of any problems with the transactions." Al Qadi's lawyer, Guy Martin, insists that "no transaction" involving Ella and Caravan breached U.N. sanctions. "There is no irregularity of any kind" and "Mr. Qadi has never received, whether directly or indirectly, any payment or other economic benefit from these companies since the time he was designated by the U.N. in October 2001."

Vehement denials also came from Sarac's lawyer, Elif Kandemir, who insists that Sarac never had "Yasin Al Qadi's personal wealth at his disposal. All the movables and immovables mentioned in your article belong to companies which are separate legal entities" and done "in accordance with the Turkish Law." (Read the lawyer's full response.)

And, finally, both Al Qadi's and Sarac's lawyers state that two complaints around these matters--in 2004 and 2006--were examined by Turkey's prosecutor and dismissed on the grounds that there was no basis to initiate criminal proceedings. (The 2006 complaint was filed by the primary opposition party to the AKP.)

Both of these complaints, however, were based on the findings of Hamza Kacar, the lead investigator of Turkey's Ministry of Finance's Financial Crimes Investigation Board, who was tasked to investigate Al Qadi's local operations. Appointed prior to Erdogan's election, Kacar ultimately reported to the Ministry of Finance under the leadership of the AKP's Kemal Unakitan.

Kacar's 2004 Al Qadi report, delivered under what the investigator said was intense pressure to complete his probe, cited evidence that Al Qadi's companies in Turkey were transferring funds between 1997 and 2001 far in excess of both companies' net incomes, and were still operating at the time of the report. Wired funds he traced from various companies and individuals went to, among others, a "charity" and other individuals branded terrorists or terrorist fronts by international investigators; there was reason to continue his investigations, Kacar wrote.

In light of this report, the head of the Financial Crimes Investigation Board decided there was sufficient evidence to pursue charges against Al Qadi and Sarac; a chief prosecutor in Istanbul disagreed and declined to pursue the case.

But most notably, and in unusually straightforward language, Kacar further claimed in his report that he had been unable to complete his investigations because two of his lead investigators were taken from him, and his investigations into Al Qadi were undermined by Turkish politicians and government bureaucrats (he did not name names) in what he said bordered on "obstruction of justice."

Consider another element in this financial whirl: Albaraka Turk Participation Bank is an Istanbul-based shariah-compliant bank that Al Qadi used for his banking. Investigator Kacar claimed Albaraka Turk did not cooperate with his investigation and did not answer written and verbal requests for information. Adnan Buyukdeniz, the bank's general manager, tells Forbes he can prove through documentation that every written request for information the bank received was acted upon in time according to the law.

Whatever really happened, this much we know: Finance Minister Unakitan, overseeing the Al Qadi investigation and its review of the Albaraka bank transactions, was himself a founding shareholder and board member at Albaraka Turk from 1984 to 2001, joining the government when it came to power in 2002. (Postscript: In 2007, the Finance Ministry fired lead investigator Kacar for unprofessional conduct. Kacar is suing for wrongful dismissal and to have his job reinstated; he recently won a key ruling.)

At the World Economic Forum in Davos this week, the Erdogan government will certainly be enlisting the civilized world's further assistance in crippling the capacity of Kurdish terrorists to launch cross-border forays from Iraq. The Erdogan government at the same time has remaining mysteries to clear up involving a suspected terrorist's financial affairs within its own country.

--This article was a joint project of Forbes, Forbes Turkey and Forbes.com.

Counterterrorism Blog

More on Yasin al-Qadi's Connections to Turkey's Prime Minister

By Andrew Cochran

In his new article, **"Will Turkey have an Islamist President?"** Michael Rubin highlights some unanswered questions on the connection between terrorist financier Yasin al-Qadi to the Turkish Prime Minister. He writes:

> Cuneyd Zapsu, Erdoğan's chief advisor, has donated money to Yasin al-Qadi, a Saudi businessman identified by both the U.S. Treasury Department and the United Nations as an al Qaeda financier. While Zapsu initially denied the charges--and even threatened to sue those repeating them--Council of Financial Crime Investigations files leaked to the press confirmed that Zapsu had donated $60,000 to a foundation run by al-Qadi in 1997. Two years later his mother transferred another $250,000
>
> After the terrorist attacks of September 11, the government of Erdoğan's predecessor froze al-Qadi's assets. But with his business partner serving as advisor to the prime minister, al-Qadi appealed on technical grounds. Erdoğan endorsed the appeal, vouching for al-Qadi and even calling him a philanthropist in a Turkish television interview. The prime minister acknowledged knowing al-Qadi personally, which raises an important question: how Did Zapsu introduce his business partner to the prime minister, and if he really did so, why? Only subsequent court intervention forced Erdoğan to keep al-Qadi's assets frozen. The questionable company chosen by Zapsu has become the rule rather than the exception: on March 27, 2006, Erdoğan traveled to Khartoum for a two-day Arab League Summit. While there, he skipped an official dinner to meet instead with Fatih al-Hassanein, a Sudanese financier with ties to al Qaeda and arms smuggling. Erdoğan has yet to explain the purpose of this meeting.

Al-Qadi was one of the first terrorist financiers designated by the U.S. Treasury after the 9-11 attacks, **back on October 12, 2001**. On September 19, 2005, the Treasury Department also designated his associate and fellow financier, **Abdul Latif Saleh**. CT Blog Contributing Experts, especially **Victor Comras**, have written often on al-Qadi's long history of financing terror and Turkey's protection, including the following:

Zachary Abuza, "Top Al Qaeda Financier Dead, Denied Links to Osama to His Dying Day"
Victor Comras, "It's time to Put Yasin Al Kadi Out of Business!" (with links to posts by **Doug Farah** and **Evan Kohlmann**) - also **"Switzerland Files Criminal Charges Against Saudi Businessman For Financing Terrorism"** - also **"Turkey Prosecutor Absolves Yasin Al-Qadi, But Is He Right!"**
Daveed Gartenstein-Ross, "U.S.-Turkish Relations on the Brink?" which cites **an article in which PM Erdogan is quoted as saying about al-Qadi**, "I believe in him as I believe in myself."

And al-Qadi's freedom is more evidence of the lack of action taken by the Saudi government against its citizens who finance terrorism outside the Kingdom, **as I discussed here yesterday**.

By Andrew Cochran on February 4, 2007 11:22 AM

INTERNATIONAL
Herald Tribune

Nationality plays strong role in who gets freed from Guantánamo

By Farah Stockman
The Boston Globe
Thursday, November 22, 2007

GUANTÁNAMO BAY NAVAL STATION, Cuba: In May 2006, the U.S. military delivered the news that Ali Muhammed Nasir Mohammed was desperate to hear: He was heading home from the prison at Guantánamo on the next plane to Saudi Arabia.

There was just one problem. Mohammed is from Yemen. When he explained the mistake, the plane left without him. He remained in his cell for 18 months.

Mohammed's case highlights the powerful role of nationality in determining who is released from Guantánamo.

Saudi Arabia, a wealthy, influential U.S. ally, has seen more than 100 of roughly 130 citizens return home from Guantánamo, including dozens a military review panel found were security threats.

But Yemen, a poor country that lacks close ties to Washington, has had only 13 of about 110 citizens repatriated, including the body of one who committed suicide. Yemen has overtaken Saudi Arabia as the nation with the most citizens in Guantánamo besides Afghanistan; roughly a third of the 310 detainees are Yemeni.

U.S. officials say Saudi Arabia has been more assertive than Yemen on the issue. Former detainees have been reintegrated into society with an expensive rehabilitation program that includes religious education, psychological counseling, furnished apartments - even brides.

"Our view is that putting them in jail and throwing away the key does not solve the problem," said Nail Al-Jubeir, a spokesman for the Saudi Embassy in Washington. "They are sitting in Guantánamo Bay for the last five years, isolated from what is going on. You have to teach them right from wrong."

Begun in 2003 to reform suspected terrorist sympathizers arrested inside Saudi Arabia, the program has processed 2,000 extremists, and 700 have been released, said Chris Boucek, a Princeton University researcher. Only 10 have been arrested again, he said.

"Part of the counseling process is to encourage them to settle down and get married and have kids," Boucek said, speaking from Riyadh. "I think the thinking goes that the more family obligations that you have the less likely you are to get in trouble."

The Guantánamo returnees enter a special version of the program: They remain in custody but are allowed meals with loved ones and with the relatives of others still detained at Guantánamo Bay. The goal, Boucek said, is to reinforce a message that if they "screw up" it could ruin their friends' chances of release.

Saudi officials liken the program to an American drug rehabilitation clinic, though returnees still face prosecution for the alleged activities that landed them in Guantánamo. Several have gone to jail for falsified passports or for "joining a foreign war without authorization."

So far, Jubeir said, no former Guantánamo inmates have "relapsed" into terrorism after finishing the program.

Saudi officials would not say how much the program costs. Last month, a Saudi prince gave $2,700 each to 55 recently released detainees to celebrate the holy month of Ramadan.

U.S. officials were initially cynical, Saudi officials say, but now they point to the program as one reason so many Saudis have been repatriated.

Saudi Arabia is "willing to come up to the plate and mitigate the risk," said Frank Sweigart, head of the Pentagon office that oversees the review of evidence against the detainees. If more countries followed suit, he said, more detainees would be released "in a heartbeat."

By contrast Yemen has struggled to gain the trust of U.S. officials, despite similar attempts at militant rehabilitation.

Run by a well-respected Yemeni judge, the program's clerics challenge the prisoners' interpretation of Islam. Unlike the Saudis' program, inmates do not get professional counseling, financial support, or social services, according to a Yemeni official who spoke on the condition of anonymity because of the sensitivity of the topic.

About 200 suspected Yemeni militants have graduated from the program, the official said, though no one can say whether any have returned to extremism. But Boucek said U.S. officials became concerned after evidence emerged that significant numbers of them had joined insurgents in Iraq.

"When these guys leave custody in Saudi Arabia, they are still monitored and very, very closely tracked," Boucek said. "Whereas in Yemen, it seems like once they got people to agree that, 'Yes we recognize the legitimacy of the Yemeni government,' they would leave and that was it."

No Yemeni detainees have gone through the program because so few have returned from Guantánamo. U.S. officials say privately that they do not trust Yemen with detainees who could still be dangerous, noting that 23 Qaeda members escaped from a Yemeni prison last year.

They also point to the reported release last month of Jamal al-Badawi, considered a leader of the attack against the U.S.S. Cole, a bombing that killed 17 U.S. sailors in 2000. Press reports said that Badawi was released after renouncing terrorism, but Yemeni officials insisted he was still in custody.

Yemen is also unwilling to accept U.S. conditions on repatriated detainees, including constant monitoring or detention. It also will not sign a declaration against torturing repatriated detainees, arguing that it gives the false impression that torture is common in Yemen.

So far only a dozen Yemeni citizens have been sent home, including Mohammed, who languished in Guantánamo longer than he would have had he been a Saudi Arabian citizen.

"It is frustrating to see the nationals of so many countries going back in large numbers," said Marc Falkoff, a law professor at Northern Illinois University who represents 17 Yemeni detainees.

Notes:

YAHOO! NEWS

Back to Story - Help

Saudis free 32 former inmates of Guantanamo Bay

AFP

Thu Apr 3, 6:58 AM ET

The Saudi Arabian authorities have released 32 men repatriated from the US detention camp at Guantanamo Bay in Cuba last year, a newspaper reported on Thursday.

They were freed on bail after being questioned and undergoing rehabilitation sessions with Muslim clerics and other experts aimed at reintegrating them into Saudi society, the London-based Al-Hayat said.

The 32 were among Guantanamo inmates repatriated last year, it said. Another 24 Saudis transferred from Guantanamo are still undergoing rehabilitation, the pan-Arab but Saudi-owned paper added.

The United States has repatriated a total of 117 Saudis from the detention camp which Washington set up after the September 11, 2001 attacks to house prisoners rounded up in Afghanistan and elsewhere as part of its global anti-terror campaign.

Thirteen Saudis are still held in the notorious prison, lawyer Kateb Shammari who represents detainees' families told AFP.

Three Saudi inmates held in Guantanamo allegedly committed suicide -- two in June 2006 and the third in May 2007.

After the 2006 deaths, US officials stirred worldwide outrage by describing the two reported Saudi suicides and that of a Yemeni as "an act of asymmetric warfare" and "a good PR move" by terror suspects.

Human rights activists in Saudi Arabia have challenged the suicide theory cited by US authorities.

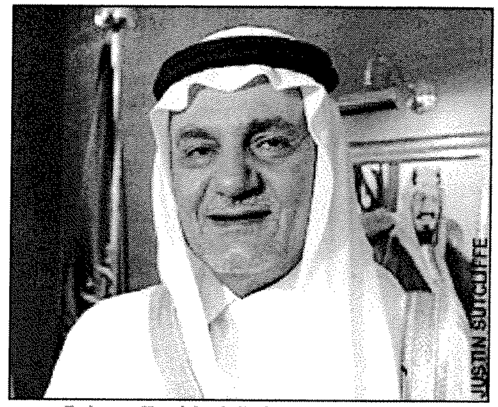
Saudi Arabia hails project to reform fighters

By David Blair in Riyadh
Last Updated: 2:25am BST 03/04/2007

As American jets bombed his last stronghold in the mountains of Afghanistan, Osama bin Laden ordered a young supporter from Saudi Arabia to flee to safety.

Aged only 27, the young man had already spent seven years as a "holy warrior" in countries as far flung as the Philippines and Afghanistan.

He obeyed his leader's command and retreated over the border into Pakistan - where he was swiftly captured.



Prince Turki al-Faisal praised the rehabilitation project's contribution to reducing terrorist threats

That was in December 2001. Abu Suleiman (not his real name) was to spend the next four years in Guantanamo Bay and a further 12 months in Saudi jails.

Yet his life could hardly be more different today. Recently married, he now drives a smart car and works as a financial analyst in Saudi Arabia's capital, Riyadh.

The 33-year-old is among 700 Saudis who have passed through a "rehabilitation course" run by the kingdom's interior ministry.

"When I was going to Afghanistan, I was going to help the Muslims around the world," says Abu Suleiman, the first of the reformed extremists to speak to western media. "When you are young - I was only 20 - you have no responsibility. You think you can help and so you go."

Videos of the carnage in Bosnia turned him into a radical. These tapes - widely distributed in Riyadh - convinced him that the West was waging a war on Islam and that his duty lay in defending his fellow Muslims.

First he travelled to the Philippines, where he joined Islamist guerrillas in the southern islands. Then, in 1997, he ventured to Afghanistan for military training in an al-Qa'eda camp. He went back there before September 11 attacks - only to be captured near Tora Bora.

Each of those on the Saudi rehabilitation course once stood accused of involvement in domestic or international terrorism, usually linked to al-Qa'eda. Abu Suleiman's own rehabilitation included talks with religious scholars about Muslim doctrine. The Koran, they pointed out, prohibited the killing of citizens regardless of their religion.

In addition, psychologists helped him overcome the trauma inflicted by his time as a "jihadist" and by his four years in Guantanamo.

Finally, last year, the authorities gave him his freedom, a job and a car. And when he married last month, a representative of Prince Mohammed bin Nayef, the minister who began the programme, attended the ceremony.

"I don't like thinking about what happened in the past. It was destroying my life," says Abu Suleiman.

"When I first went to Afghanistan, they weren't talking about fighting the Saudi government, it was just about fighting the Americans. But over time, it became more extreme. They fought anyone who opposed us."

Abu Suleiman met bin Laden several times and remembers his leadership with bitter disillusion. Bin Laden, he says, fled Tora Bora, leaving his followers at the mercy of American bombs.

Bin Laden hails from a wealthy Saudi family and the kingdom has provided numerous recruits for al-Qa'eda.

The Saudi royal family is one of the terrorist group's principal targets, thanks to its alliance with the West and its invitation to US troops to enter the country after Iraq's invasion of Kuwait in 1990.

A wave of terrorist bombings in 2003 and 2004 targeted government ministries, oil refineries and compounds housing westerners.

But the number of attacks has fallen dramatically since. Western diplomats in Riyadh believe the terrorist threat has been greatly diminished by the crushing of most of the al-Qa'eda cells inside the kingdom.

Prince Turki al-Faisal, a former ambassador to London and Washington, is one of many hailing the rehabilitation project's contribution as a "major success".

"We believe the struggle is one of mind over matter," he says. "It's a struggle of ideas."

PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

October 12, 2001
PO-689

TREASURY DEPARTMENT RELEASES LIST OF 39 ADDITIONAL SPECIALLY DESIGNATED GLOBAL TERRORISTS

Treasury Office of Foreign Asset Control (OFAC) has added the names of 39 terrorists to its list of Specially Designated Global Terrorists (SDGT). Their assets must be blocked immediately.

ABDULLAH, Abdullah Ahmed (a.k.a. ABU MARIAM; a.k.a. AL-MASRI, Abu Mohamed; a.k.a. SALEH), Afghanistan (DOB 1963; POB Egypt; citizen Egypt) (individual) [SDGT]

AGHA, Haji Abdul Manan (a.k.a. SAIYID, Abd Al-Man'am), Pakistan (individual) [SDGT]

AL-HAMATI SWEETS BAKERIES, Al-Mukallah, Hadhramawt Governorate, Yemen [SDGT]

AL-HAMATI, Muhammad (a.k.a. AL-AHDAL, Mohammad Hamdi Sadiq; a.k.a. AL-MAKKI, Abu Asim), Yemen (individual) [SDGT]

AL-HAQ, Amin (a.k.a. AH HAQ, Dr. Amin; a.k.a. AMIN, Muhammad; a.k.a. UL-HAQ, Dr. Amin) (DOB 1960; POB Nangahar Province, Afghanistan) (individual) [SDGT]

AL-JADAWI, Saqar (DOB 1965) (individual) [SDGT]

AL-KADR, Ahmad Sa'id (a.k.a. AL-KANADI, Abu Abd Al-Rahman) (DOB 01 Mar 1948; POB Cairo, Egypt) (individual) [SDGT]

AL-LIBY, Anas (a.k.a. AL-LIBI, Anas; a.k.a. AL-RAGHIE, Nazih; a.k.a. AL-RAGHIE, Nazih Abdul Hamed; a.k.a. AL-SABAI, Anas), Afghanistan (DOB 30 Mar 1964, Alt. DOB 14 May 1964; POB Tripoli, Libya; citizen Libya) (individual) [SDGT]

AL-MUGHASSIL, Ahmad Ibrahim (a.k.a. ABU OMRAN; a.k.a. AL-MUGHASSIL, Ahmed Ibrahim) (DOB 26 Jun 1967; POB Qatif-Bab al Shamal, Saudi Arabia; citizen Saudi Arabia) (individual) [SDGT]

AL-NASSER, Abdelkarim Hussein Mohamed (POB Al Ihsa, Saudi Arabia; citizen Saudi Arabia) (individual) [SDGT]

AL-NUR HONEY PRESS SHOPS (a.k.a. AL-NUR HONEY CENTER), Sanaa, Yemen. [SDGT]

AL-QADI, Yasin (a.k.a. KADI, Shaykh Yassin Abdullah; a.k.a. KAHDI, Yasin), Jeddah, Saudi Arabia (individual) [SDGT]

AL-SHARIF, Sa'd (DOB 1969; POB Saudi Arabia) (individual) [SDGT]

AL-SHIFA' HONEY PRESS FOR INDUSTRY AND COMMERCE, Al-Nasr Street, Doha, Qatar; By the Shrine Next to the Gas Station, Jamal Street, Ta'iz, Yemen; Al-'Arudh Square, Khur Maksar, Aden, Yemen; P.O. Box 8089, Al-Hasabah, Sanaa, Yemen [SDGT]

AL-YACOUB, Ibrahim Salih Mohammed (DOB 16 Oct 1966; POB Tarut, Saudi Arabia; citizen Saudi Arabia) (individual) [SDGT]

ALI, Ahmed Mohammed Hamed (a.k.a. ABDUREHMAN, Ahmed Mohammed; a.k.a. ABU FATIMA; a.k.a. ABU ISLAM; a.k.a. ABU KHADIIJAH; a.k.a. AHMED HAMED; a.k.a. Ahmed The Egyptian; a.k.a. AHMED, Ahmed; a.k.a. AL-MASRI, Ahmad; a.k.a. AL-SURIR, Abu Islam; a.k.a. ALI, Ahmed Mohammed; a.k.a. ALI, Hamed; a.k.a. HEMED, Ahmed; a.k.a. SHIEB, Ahmed; a.k.a. SHUAIB), Afghanistan (DOB 1965; POB Egypt; citizen Egypt) (individual) [SDGT]

ATWA, Ali (a.k.a. BOUSLIM, Ammar Mansour; a.k.a. SALIM, Hassan Rostom), Lebanon (DOB 1960; POB Lebanon; citizen Lebanon) (individual) [SDGT1]

ATWAH, Muhsin Musa Matwalli (a.k.a. ABDEL RAHMAN; a.k.a. ABDUL RAHMAN; a.k.a. AL-MUHAJIR, Abdul Rahman; a.k.a. AL-NAMER, Mohammed K.A.), Afghanistan (DOB 19 Jun 1964; POB Egypt; citizen Egypt) (individual) [SDGT]

BIN MARWAN, Bilal (DOB 1947) (individual) [SDGT]

BIN MUHAMMAD, Ayadi Chafiq (a.k.a. AIADI, Ben Muhammad; a.k.a. AIADY, Ben Muhammad; a.k.a. AYADI CHAFIK, Ben Muhammad; a.k.a. AYADI SHAFIQ, Ben Muhammad), Darvingasse 1/2/58-60, Vienna, Austria; 28 Chaussee de Lille, Mouscron, Belgium; 129 Park Road, NW8, London, England; Helene Meyer Ring 10-1415-80809, Munich, Germany; Tunisia (DOB 21 Jan 1963; POB Safais (Sfax), Tunisia) (individual) [SDGT]

DARKAZANLI, Mamoun, Uhlenhorsterweg 34 11, 22085, Hamburg, Germany (DOB 4 Aug 1958; POB Aleppo, Syria; Passport No: 1310636262 <Germany>) (individual) [SDGT]

EL-HOORIE, Ali Saed Bin Ali (a.k.a. AL-HOURI, Ali Saed Bin Ali; a.k.a. EL-HOURI, Ali Saed Bin Ali) (DOB 10 Jul 1965, alt. DOB 11 Jul 1965; POB El Dibabiya, Saudi Arabia; citizen Saudi Arabia) (individual) [SDGT]

FADHIL, Mustafa Mohamed (a.k.a. AL MASRI, Abd Al Wakil; a.k.a. AL-NUBI, Abu; a.k.a. ALI, Hassan; a.k.a. ANIS, Abu; a.k.a. ELBISHY, Moustafa Ali; a.k.a. FADIL, Mustafa Muhamad; a.k.a. FAZUL, Mustafa; a.k.a. HUSSEIN; a.k.a. JIHAD, Abu; a.k.a. KHALID; a.k.a. MAN, Nu; a.k.a. MOHAMMED, Mustafa; a.k.a. YUSSRR, Abu) (DOB 23 Jun 1976; POB Cairo, Egypt; citizen Egypt, alt. citizen Kenya; Kenyan ID No. 12773667; Serial No. 201735161) (individual) [SDGT]

GHAILANI, Ahmed Khalfan (a.k.a. "AHMED THE TANZANIAN"; a.k.a. "FOOPIE"; a.k.a. "FUPI"; a.k.a. AHMAD, Abu Bakr; a.k.a. AHMED, A.; a.k.a. AHMED, Abubakar; a.k.a. AHMED, Abubakar K.; a.k.a. AHMED, Abubakar Khalfan; a.k.a. AHMED, Abubakary K.; a.k.a. AHMED, Ahmed Khalfan; a.k.a. AL TANZANI, Ahmad; a.k.a. ALI, Ahmed Khalfan; a.k.a. BAKR, Abu; a.k.a. GHAILANI, Abubakary Khalfan Ahmed; a.k.a. GHAILANI, Ahmed; a.k.a. GHILANI, Ahmad Khalafan; a.k.a. HUSSEIN, Mahafudh Abubakar Ahmed Abdallah; a.k.a. KHABAR, Abu; a.k.a. KHALFAN, Ahmed; a.k.a. MOHAMMED, Shariff Omar) (DOB 14 Mar 1974, alt. DOB 13 Apr 1974, alt. DOB 14 Apr 1974, alt. DOB 1 Aug 1970; POB Zanzibar, Tanzania; citizen Tanzania) (individual) [SDGT]

HIJAZI, Riad (a.k.a. AL-AMRIKI, Abu-Ahmad; a.k.a. AL-HAWEN, Abu-Ahmad; a.k.a. AL-MAGHRIBI, Rashid; a.k.a. AL-SHAHID, Abu-Ahmad; a.k.a. HIJAZI, Raed M), Jordan (DOB 1968; POB California, U.S.A.; SSN: 548-91-5411 <U.S.A.>) (individual) [SDGT]

IZZ-AL-DIN, Hasan (a.k.a. GARBAYA, AHMED; a.k.a. SA-ID; a.k.a. SALWWAN, Samir), Lebanon (DOB 1963; POB Lebanon; citizen Lebanon) (individual) [SDGT1]

JAISH-I-MOHAMMED (a.k.a. ARMY OF MOHAMMED), Pakistan [SDGT]

JAM'YAH TA'AWUN AL-ISLAMIA (a.k.a. JAM'IYAT AL TA'AWUN AL ISLAMIYYA; a.k.a. JIT; a.k.a. SOCIETY OF ISLAMIC COOPERATION), Qandahar City, Afghanistan [SDGT]

LADEHYANOY, Mufti Rashid Ahmad (a.k.a. AHMAD, Mufti Rasheed; a.k.a. LUDHIANVI, Mufti Rashid Ahmad; a.k.a. WADEHYANOY, Mufti Rashid Ahmad), Karachi, Pakistan (individual) [SDGT]

MOHAMMED, Fazul Abdullah (a.k.a. ABDALLA, Fazul; a.k.a. ADBALLAH, Fazul; a.k.a. AISHA, Abu; a.k.a. AL SUDANI, Abu Seif; a.k.a. ALI, Fadel Abdallah Mohammed; a.k.a. FAZUL, Abdalla; a.k.a. FAZUL, Abdallah; a.k.a. FAZUL, Abdallah Mohammed; a.k.a. FAZUL, Haroon; a.k.a. FAZUL, Harun; a.k.a. HAROON; a.k.a. HAROUN, Fadhil; a.k.a. HARUN; a.k.a. LUQMAN, Abu; a.k.a. MOHAMMED, Fazul; a.k.a. MOHAMMED, Fazul Abdilahi; a.k.a. MOHAMMED, Fouad; a.k.a. MUHAMAD, Fadil Abdallah) (DOB 25 Aug 1972, alt. DOB 25 Dec 1974, alt. DOB 25 Feb 1974; POB Moroni, Comoros Islands; citizen Comoros, alt. citizen Kenya) (individual) [SDGT]

MOHAMMED, Khalid Shaikh (a.k.a. ALI, Salem; a.k.a. BIN KHALID, Fahd Bin Adballah; a.k.a. HENIN, Ashraf Refaat Nabith; a.k.a. WADOOD, Khalid Adbul) (DOB 14 Apr 1965, alt. DOB 1 Mar 1964; POB Kuwait; citizen Kuwait) (individual) [SDGT]

MSALAM, Fahid Mohammed Ally (a.k.a. AL-KINI, Usama; a.k.a. ALLY, Fahid Mohammed; a.k.a. MSALAM, Fahad Ally; a.k.a. MSALAM, Fahid Mohammed Ali; a.k.a. MSALAM, Mohammed Ally; a.k.a. MUSALAAM, Fahid Mohammed Ali; a.k.a. SALEM, Fahid Muhamad Ali) (DOB 19 Feb 1976; POB Mombasa, Kenya; citizen Kenya) (individual) [SDGT]

RABITA TRUST, Room 9A, 2nd Floor, Wahdat Road, Education Town, Lahore, Pakistan; Wares Colony, Lahore, Pakistan [SDGT]

SWEDAN, Sheikh Ahmed Salim (a.k.a. Ahmed the Tall; a.k.a. ALLY, Ahmed; a.k.a. BAHAMAD; a.k.a. BAHAMAD, Sheik; a.k.a. BAHAMADI, Sheikh; a.k.a. SUWEIDAN, Sheikh Ahmad Salem; a.k.a. SWEDAN, Sheikh; a.k.a. SWEDAN, Sheikh Ahmed Salem) (DOB 9 Apr 1969, alt. DOB 9 Apr 1960; POB Mombasa, Kenya; citizen Kenya) (individual) [SDGT]

UTHMAN, Omar Mahmoud (a.k.a. ABU ISMAIL; a.k.a. ABU UMAR, Abu Omar; a.k.a. AL-FILISTINI, Abu Qatada; a.k.a. TAKFIRI, Abu 'Umr; a.k.a. UMAR, Abu Umar; a.k.a. UTHMAN, Al-Samman; a.k.a. UTHMAN, Umar), London, England (DOB 30 Dec 1960, alt. DOB 13 Dec 1960) (individual) [SDGT]

YASIN, Abdul Rahman (a.k.a. TAHA, Abdul Rahman S.; a.k.a. TAHER, Abdul Rahman S.; a.k.a. YASIN, Abdul Rahman Said; a.k.a. YASIN, Aboud) (DOB 10 Apr 1960; POB Bloomington, Indiana U.S.A.; SSN 156-92-9858 <U.S.A.>; Passport No. 27082171 <U.S.A. - issued 21 Jun 1992 in Amman, Jordan>, alt. Passport No. M0887925 <Iraq>; citizen U.S.A.) (individual) [SDGT]

YULDASHEV, Tohir (a.k.a. YULDASHEV, Takhir), Uzbekistan (individual) [SDGT]

ZIA, Mohammad (a.k.a. ZIA, Ahmad), c/o Ahmed Shah s/o Painda Mohammad al-Karim Set, Peshawar, Pakistan; c/o Alam General Store Shop 17, Awami Market, Peshawar, Pakistan; c/o Zahir Shah s/o Murad Khan Ander Sher, Peshawar, Pakistan (individual) [SDGT]

MUGHNIYAH, Imad Fa'iz (a.k.a. MUGHNIYAH, Imad Fayiz), Senior Intelligence Officer of HIZBALLAH (DOB 07 Dec 1962, POB Tayr Dibba, Lebanon, Passport

The Terror Finance Blog

Yassin Al-Kadi:Still in business

Up until the middle of 2005, Clearstream Banking of Luxembourg used to display on their website their list of customers from around the world.These clients included 2 companies from Malaysia, ABRAR DISCOUNTS BERHAD and ABRAR FUTURES SDN BHD. Both these companies are wholly-owned subsidiaries of Abrar Group International Sdn Bhd, a company that is controlled by the SGDT Yassin Al–Kadi When Clearstream were questioned about the issue, that list was withdrawn from their website.

Al–Kadi and his Malaysian associates Drs Rahim Ghouse and Wan Hasni Wan Sulaiman started-up the Abrar Group in the US,but then shut-down their US operations at around the time that the FBI commenced investigations into their dealings.They then moved their base to Malaysia.
However, a US subsidiary , SCR Financial Inc (formerly knownn as Abrar Securities Inc) , a NASDAQ licensed securities dealer,was transferred to Daniel R. Hutton, who was once an Abrar director.
In the UK, Barclays Private Banking's set-up a shariah compliant mutual fund, Barclays Islamic Portfolio (BIP) in 1999. According to the Middle East Economic Digest the fund uses the National Management Consultancy Center (NMCC), Jeddah, as its shariah adviser. There is evidence that the NMCC is also a company headed by Yassin .

In Australia, Dr Rahim Ghouse , who now heads the Muslim Community Co-Op Australia, recently received a licence from the Australian Securities and Investment Commission , ASIC , to act as an authorised representative for the shariah compliant Crescent Ethical Managed Discretionary Account product, which has been designed by the MCCA in collaboration with a Melbourne fund manager , Intrinsic Investment Management Ltd. (see http://www.investaustralia.net.au/page.php?id=home2&product_id=102) .

The product is being promoted as a vehicle for investors with at least AUD 100,000 to invest in shares listed on the Australian Stock Exchange, in accordance with shariah principles.
Ghouse remains a shareholder of Abrar Group International ,together with Yassin Al–Kadi . The MCCA under his watch has sponsored seminars in Australia on shariah compliant investing at which the main speaker was the CEO Abrar Discounts, Wan Abdul Rahim Wan Kamil.

In 2003 and 2004, another MCCA employee, Zulfikar Mohd Shariff, launched a public campaign to discredit a number of journalists who were investigating an Australian incorporated shelf-company whose assets were said by the Rating Agency Malaysia to be worth USD 8 billion, mostly in cash.

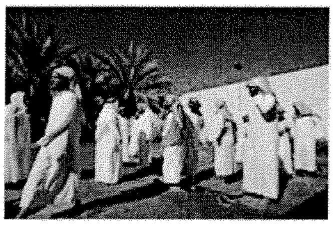
The company had obtained a licence to operate a deposit-taking bank in the Malaysian tax-haven of Labuan. The licence has since been varied so that Commercial IBT can only operate an investment bank.

When questions were raised about the company by the Malaysian opposition, opposition MPs who raised the questions were approached by Yassin Al–Kadi and Ghouse's other partner , Wan Hasni Wan Sulaiman , in an attempt to stop questions being asked.
Posted by Ganesh Sahathevan on August 09, 2006 at 18:40 | Permalink

TrackBack

Saudis free 32 former inmates of Guantanamo Bay

AFP



AFP/File Photo: Saudis released from Guantanamo Bay leave an interior ministry rehabilitation centre, north of Riyadh in...

Thu Apr 3, 6:58 AM ET

RIYADH (AFP) - The Saudi Arabian authorities have released 32 men repatriated from the US detention camp at Guantanamo Bay in Cuba last year, a newspaper reported on Thursday.

They were freed on bail after being questioned and undergoing rehabilitation sessions with Muslim clerics and other experts aimed at reintegrating them into Saudi society, the London-based Al-Hayat said.

The 32 were among Guantanamo inmates repatriated last year, it said. Another 24 Saudis transferred from Guantanamo are still undergoing rehabilitation, the pan-Arab but Saudi-owned paper added.

The United States has repatriated a total of 117 Saudis from the detention camp which Washington set up after the September 11, 2001 attacks to house prisoners rounded up in Afghanistan and elsewhere as part of its global anti-terror campaign.

Thirteen Saudis are still held in the notorious prison, lawyer Kateb Shammari who represents detainees' families told AFP.

Three Saudi inmates held in Guantanamo allegedly committed suicide -- two in June 2006 and the third in May 2007.

After the 2006 deaths, US officials stirred worldwide outrage by describing the two reported Saudi suicides and that of a Yemeni as "an act of asymmetric warfare" and "a good PR move" by terror suspects.

Human rights activists in Saudi Arabia have challenged the suicide theory cited by US authorities.

Email Story IM Story Printable View Yahoo! Buzz

RECOMMEND THIS STORY

Recommend It: Average (5 votes) » Recommended Stories

WORLD VIDEO

Berlusconi looks to seal comeback
Reuters

MDC refuses runoff election
CNN

» All news video

MCCLATCHY NEWS BLOG

INSIDE IRAQ
Read first-hand accounts of everyday life in Iraq.

ELSEWHERE ON THE WEB

Time.com: Soothsayer: Doom for Thailand Govt.

McClatchy Newspapers: Democrats to slow Colombia free-trade vote

ABC News: Chilling Martyrdom Video Shown in U.K. Court

World News

54 Myanmar migrants die in Thailand AP

Most Viewed - World

Egypt sentences 5 men for homosexuality

10. Will introduce or sponsor a bill to block the sale of sensitive military munitions, especially Joint Direct Attack Munitions (JDAMs), to Saudi Arabia.

Background:

- **The Bush Administration recently authorized, by executive order, $20 billion in military equipment to be sold to the Gulf Cooperation Council countries, including Saudi Arabia. Representative Myrick objects to the sale of JDAMs to Saudi Arabia on the basis of it being the largest source of funding for Wahabism in the world.**

- **I have signed a resolution disapproving on the sale; however Congress was unable to stop the authorization of the deal from moving forward.**

- **Until the JDAMs are sent to Saudi Arabia, I will fight this deal.**

Congress of the United States
Washington, DC 20515

July 31, 2007

Honorable George Bush
President
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20502

Dear President Bush:

We are writing to express our deep opposition to the proposed sale of high technology armaments to the Kingdom of Saudi Arabia. If a sale containing weapons for Saudi Arabia is proposed to Congress under the *Arms Export Control Act of 1976*, we intend to vote to stop it.

Saudi Arabia has not behaved like an ally of the United States. They have exported fighters and suicide bombers to the war in Iraq. They have provided funding for terrorist activities throughout the world. And the Saudis have refused to play a constructive role in the West Bank and Gaza.

The United States should not send potentially destabilizing weapons to the Kingdom of Saudi Arabia.

Sincerely,

[illegible]

Dan Burton

Todd R. Platts

Don Young AK

Sue Myrick

Scott [illegible]

Mike Rogers (AL)

[illegible]

Arms Control Today January/February 2008

Back to Normal

Congress Slows Saudi Arms Sale

Wade Boese

Stiff congressional opposition to a summer 2007 proposal to sell sophisticated munitions to Saudi Arabia led the Bush administration to delay moving ahead on the deal for months, setting up a possible early 2008 showdown between lawmakers and the White House. During the delay, Congress did not contest other proposed arms sales worth billions of dollars to Saudi Arabia and its neighbors.

Last July, the Bush administration announced plans to offer a broad package of arms to Saudi Arabia and the five other members of the Gulf Cooperation Council: Bahrain, Kuwait, Oman, Qatar, and the United Arab Emirates (UAE). The administration claimed the weapons would help bolster the countries against Iran and solidify their ties with the United States. (See *ACT*, September 2007.)

Administration officials anticipated the deals would be wrapped up quickly and ready for congressional review last September. The 1976 Arms Export Control Act requires most major arms sales valued at more than $14 million to be notified to Congress, which has 30 days to block a transaction. A higher $25 million notification threshold exists for deals with NATO members, Australia, Japan, and New Zealand, and Congress only receives 15 days to conduct a review. Two-thirds of each chamber would need to support a joint resolution of disapproval to protect against a presidential veto of a legislative arms sales rejection.

Some lawmakers did not wait for an official notification to protest. Led by Rep. Anthony Weiner (D-N.Y.), 16 representatives announced July 31 that they would seek to block the reported inclusion of Joint Direct Attack Munitions (JDAM) in the package to Saudi Arabia. Those systems improve the accuracy of bombs by enabling them to be directed by satellites.

The initial dissent was followed quickly by a bipartisan August letter from 114 House members to President George W. Bush objecting to the JDAM sale and then a second opposition letter Nov. 15 signed by 188 representatives, many of whom had signed the earlier letter. Some lawmakers argued that Saudi Arabia is undeserving of advanced U.S. weapons for failing to crack down on anti-U.S. extremists, particularly those crossing into Iraq. Other legislators cautioned the arms might fall into the "wrong hands" and be turned against U.S. troops or allies, particularly Israel.

A third letter to Bush, signed by 117 House members and sent Nov. 16, called on the administration to hold off an official notification until January 2008 so Congress could conduct a full review. There had been an informal notice three days earlier that the administration would provide the notification in December when Congress is frequently out of session. The administration responded favorably, according to a Dec. 4 statement by Weiner's office, informing House Speaker Nancy Pelosi (D-Calif.) that a notification would be postponed. It was made Jan. 14, triggering the 30-day review period.

A Department of State official told *Arms Control Today* Jan. 3 that the administration was trying to respond to congressional concerns. Lawmakers contend that if the deal goes forward, there should be strict conditions and U.S. oversight to ensure that the weapons are not diverted or misused.

While rallying against the JDAM sale, lawmakers let some deals to Saudi Arabia and other Persian Gulf states proceed. During the last four months of 2007, the Pentagon notified Congress of possible arms sales worth $1.25 billion to Saudi Arabia, $2 billion to Kuwait, and almost $10.2 billion to the UAE. The deals with the UAE include that country's first potential purchase of short- and medium-range anti-missile systems. Specifically, the UAE could receive up to 288 Patriot Advanced Capability-3 interceptors and nine firing units.

Click here to comment on this article.

DefenseNews

3 House Republicans Fight White House JDAM Sale to Saudis

By WILLIAM MATTHEWS
Published: 12 Feb 18:17 EST (14:17 GMT)

PRINT | EMAIL

Three House Republicans made a last-minute plea to their colleagues Feb. 12 to support a resolution to block the sale of U.S. satellite-guided bombs to Saudi Arabia.

The trio asked more Republicans to join 13 from their party and about 80 Democrats who want to pass a "resolution of disapproval" of the sale of $123 million worth of Joint Direct Attack Munitions - JDAMS - to the Saudis.

RELATED TOPICS
Americas
Middle East & Africa

The sale, which was approved by President George W. Bush, will occur unless a resolution of disapproval passed Congress by Feb. 14.

"I support the president and I support the administration, but not all the time," said Rep. Zach Wamp, R-Tenn., who headed the group of three seeking more Republican support.

Wamp said he wants more Republicans to oppose the arms sale so opposition won't appear to be so overwhelmingly Democratic and thus partisan.

"This is a bad idea," he said of the JDAM sale.

Democrats who oppose the sale drew up a resolution of disapproval shortly after the sale was formally announced Jan. 14. They had a month to pass blocking legislation or the same would go forward. But Rep. Tom Lantos, the Democratic chairman of the House Foreign Affairs Committee, declined to schedule a hearing for it, effectively killing it.

Lantos died Feb. 11, and the committee now is headed by Rep. Howard Berman, D-Calif., who is acting chairman.

A committee spokeswoman did respond to a question about whether a hearing now would be scheduled. But the three Republicans acknowledged it will be difficult to stop the sale this late in the process.

Wamp was joined Feb. 12 by Reps. Sue Myrick, R-N.C., and Frank Wolf, R-Va.

The sale sparked strong opposition among members of Congress who accuse the Saudis of supporting Islamic terrorism. Some fear the Saudis could use precision weapons to attack Israel.

Wamp decried Saudi support of terrorist training schools and said Saudi oil revenues help sustain Islamic radicalism.

Myrick said Saudi Arabia "does not need this technology." It is offensive, not defensive, she said. "If the American people had any idea what's going on, they would oppose this."

Wolf said the Bush administration has refused to answer to a series of questions he has asked about the sale and about Saudi Arabia's lack of support for peace efforts in the Middle East.

DefenseNews MediaGroup

C4ISR JOURNAL
Sigint battle
U.S. Navy gears up for long-awaited EPX intel aircraft competition ...
Full story | Related stories

ARMED FORCES JOURNAL
The Air Force we want
Rich Comer and George Monroe examine what it means and takes to be an irregular warfare air force.
Full story | Related stories

TSJ ONLINE
Raptor's solo challenge
It's sim to single seat for younger pilots training on F-22...
Full story | Related stories

"We had hoped there would be more opposition and more scrutiny," Wamp said. But "economic interests sometimes trump national security interests," he said.

The JDAM sale is part of a much larger $20 billion arms sale to Saudi Arabia, Kuwait and the United Arab Emirates. arms sales are planned for Qatar, Bahrain and Oman.

The Bush administration has touted the arms sales as a way to bolster the military power of Middle East allies to serve as a counterweight to the military power and posturing of Iran.

The administration also says providing Saudi Arabia with satellite-guided bombs will enable the Saudi air force to participate more fully in coalition operations.

oas_c_get: MID