

Saudi Accountability or US Job Elimination Act?

Executive Summary

The Saudi Arabia Accountability Act of 2003 now under consideration in Congress is rife with problems. Although the bill hopes to address the global scourge of terrorism, evidence cited in the act is inaccurate, obsolete, or narrow to the point of discriminatory.

A consequence of passing the bill into law would be heavy US employment losses. In 2003 US global exports partially recovered from post 9/11 trade declines. US exports to Saudi Arabia currently provide 124,000 jobs in America and should reach 177,000 by 2012. However, like many other countries, Saudi Arabia has shown a capability for self-defense through economic retaliation. This could translate into 81,000 lost jobs in the US beginning in 2004.

Most Americans reject disinformation and haste as a basis for sound solutions to complex global problems, especially in the Middle East. The Saudi Arabia Accountability Act lacks the integrity, accuracy and responsibility that form the foundation of American law. (See Exhibit 1)

Exhibit #1

Forecast U.S. Service and Manufacturing Jobs tied to Saudi Imports

(Source: IRmep 2004)

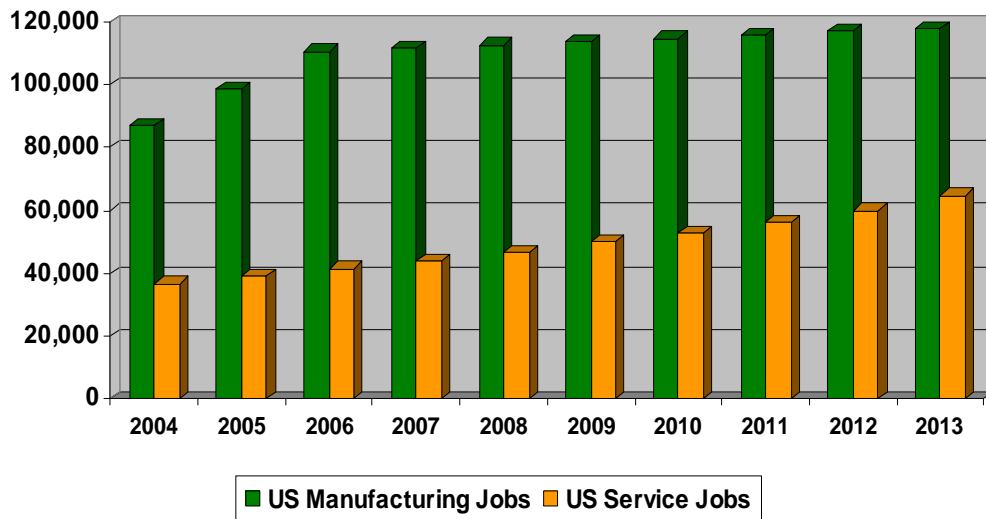


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I. What is the Saudi Accountability Act of 2003?

The Saudi Arabia Accountability Act of 2003 (SAA) was introduced into the Senate by Senator Arlen Specter on November 18, 2003. It was introduced into the House of Representatives by the honorable Mr. Specter, Mr. Schumer, Mr. Graham of South Carolina, Mr. Wyden, Ms. Collins, Mr. Graham of Florida, and Mr. Bayh on November 21, 2003. The legislation’s proposed objective is “To halt Saudi support for institutions that fund, train, incite, encourage, or in any other way aid and abet terrorism, and to secure full Saudi cooperation in the investigation of terrorist incidents.” The bill weaves together a group of anonymous and curiously sourced allegations as evidence of Saudi support for terrorism and lack of cooperation.

The hastily drafted bill attempts to provide a preemptive judgment before terrorism cases currently in the US courts system and Saudi American joint commissions determine culpability and solutions for international terrorism. This policy brief examines the bill’s evidence and calculates opportunity costs of the bill based on past US-Saudi trade precedents.

II. Problems of Accountability

The current version of the bill presents a list of dated, dubiously sourced and at times inaccurate “evidence”. It ignores many cases of Saudi cooperation and joint efforts with the US to confront terrorism. Many of the proposed solutions drawn from the body of evidence are either discriminatory in punishing Saudi Arabia for problems that are global in origin, or ignore the full scope of the problem it proposes to solve. (See Exhibit #2)

Exhibit #2

Incorrect Foundations of the 2003 Saudi Accountability Act

(Source: IRmep 2004)

<i>Evidence in the Bill</i>	<i>Source</i>	<i>Correction</i>
“After the 1996 bombing of the Khobar Towers housing complex at Dahrán, Saudi Arabia, which killed 19 United States Air Force personnel and wounded approximately 400 people, the Government of Saudi Arabia refused to allow United States officials to question individuals held in detention by the Saudis in connection with the attack.”	NA	The Saudis ultimately facilitated FBI questioning of the suspects and cooperated with the investigation. This insular society has since demonstrated quick and responsive coordination with the FBI in subsequent terror attacks upon the Saudi homeland.
“During an October 2002 hearing on financing of terrorism before the Committee on the Judiciary of the Senate, the Undersecretary for Enforcement of the Department of the Treasury testified that the Government of Saudi Arabia had taken only ‘baby steps’ toward stemming the financing of terrorist activities.”	NA	Like the case with the FBI, Saudi cooperation became more effective with time and experience. In September 2003, US Treasurer John Snow went to the Middle East for the International Monetary Fund meeting. After his visit with the Crown Prince he said, “I’ve got an absolute sense that there are no holds barred in going after the money and the terrorists.”
“There are indications that, since the May 12, 2003, suicide bombings in Riyadh, the Government of Saudi Arabia is making a more serious effort to combat terrorism.”		Saudi Arabia moved to confront terrorism before 2003. Joint US-Saudi working group on terrorism was established in 2002, and Saudi Arabia has begun licensing and regulation of hawalas. There is a total ban on overseas charitable transactions until regulations and monitoring are in place for oversight. Suspicious activity reports, like the US system, are now required by Saudi banks.

The Act departs from other bills in Congress by relying on anonymous or questionable sources of information to support many key allegations. (See Exhibit #3)

Exhibit #3

Questionably Sourced Data in the Saudi Accountability Act

(Source: IRmep 2004)

<i>Evidence in the Bill</i>	<i>Source</i>	<i>Correction</i>
<p>“Concluded in, report on Saudi support for Palestinian terrorists that `for decades, the royal family of the Kingdom of Saudi Arabia has been the main financial supporter of Palestinian groups fighting Israel'. The report notes specifically that Saudi -sponsored organizations have funneled over \$4,000,000,000 to finance the Palestinian intifada that began in September 2000.”</p>	<p>The Middle East Media Research Institute July 3, 2003 report</p>	<p>The Middle East Media Research Institute, run by former Israeli intelligence operative Col. Yigal Carmen is considered by many in Washington D.C. to be a selective news retrieval operation specifically designed to present Arabs in the worst possible light. Unlike most research institutes, MEMRI is extremely narrowly funded, with 51% of resources derived from three anonymous donors.</p> <p>MEMRI’s questionable research also does not recognize that financial support for the Palestinian resistance to illegal Israeli occupation is lawful, and also enjoys broad American financial support.</p>
<p>“At least 50 percent of the current operating budget of Hamas comes from `people in Saudi Arabia'.”</p>	<p>The New York Times, citing “United States and Israeli sources”, reported on September 17, 2003</p>	<p>Many officials, who wish to remain unnamed, have an interest in propagating allegations that Saudis fund Hamas, but few credible individuals have gone on record or had their allegations verified.</p>

Among the greatest problems with the SAA are applications of penalties on Saudi Arabia for problems that are global in both origin and scope. (See Exhibit #4)

Exhibit #4

Discriminatory Solutions in the Saudi Accountability Act

(Source: IRmep 2004)

<i>Evidence in the Bill</i>	<i>Source</i>	<i>Real issue</i>
<p>“For years, individuals and charities based in Saudi Arabia have been the most important source of funds for al-Qaeda, and for years, Saudi officials have turned a blind eye to this problem'.”</p>	<p>The Council on Foreign Relations October 2002 report on terrorist financing</p>	<p>While many problems have existed at Saudi charities, there is no conclusive evidence that any Saudis donating at ubiquitous cash boxes (now illegal) knowingly financed al-Qaeda.</p>
<p>“Much of this Saudi money has been directed to Hamas and to the families of suicide bombers, directly funding and</p>	<p>No source cited</p>	<p>European nations and other international supporters of Hamas and Hezollah made a distinction</p>

<p>rewarding suicide bombers. In December 2000, former Palestinian Prime Minister Mahmoud Abbas wrote to the Saudis to complain about their support for Hamas.”</p>		<p>between these organizations’ political arms and charitable works such as hospitals, and militant wings over the course of decades. Most contributions were directed toward the humanitarian works.</p>
<p>“Many Saudi-funded religious institutions and the literature they distribute teach a message of hate and intolerance that provides an ideological basis for anti-Western terrorism. The effects of these teachings are evidenced by the fact that Osama bin Laden himself and 15 of the 19 September 11th hijackers were Saudi citizens.”</p>	<p>No source cited</p>	<p>Far from glorifying aggression, the defining text of Islam, the Koran, says "Fight in the way of God against those who fight against you, but do not begin hostilities, for God does not love aggressors." (2:190),</p> <p>However, Jerry Falwell, the fundamentalist televangelist, stated, "I think Muhammad was a terrorist." on CBS's Sixty Minutes. Religious intolerance and incitement is quickly taking root in many major religions and needs to be confronted with broad international strategies, as opposed to punitive bills singling out one country.</p>
<p>“A joint committee of the Select Committee on Intelligence of the Senate and the Permanent Select Committee on Intelligence of the House of Representatives issued a report on July 24, 2003, that quotes various United States Government personnel who complained that the Saudis refused to cooperate in the investigation of Osama bin Laden and his network both before and after the September 11, 2001, terrorist attacks.”</p>		<p>Resistance to 9/11 investigations is a global phenomenon. Created by the U.S. Congress, the National Commission on Terrorist Attacks Upon the United States is charged with examining lapses in intelligence and national security in the months before the attacks. President Bush has consented to only one hour of interviews on 9/11. The administration has blocked document release while speaker of the U.S. House Speaker Dennis Hastert attempted to derail a requested 60 day time extension for the investigation.</p> <p>IRmep believes that most cases of resistance have more to do with embarrassment and the desire to “move on” than complicity.</p>

In general, the SAA scapegoats Saudi Arabia for global issues such as religious intolerance, charity oversight, lackluster 9/11 investigation cooperation, and support for Palestinians. If the framers of the bill truly wished to punish individuals and organizations unknowingly duped into financing terrorism or other crimes, they need not limit themselves to Saudi charities. In the US, General Electric and other corporations have unknowingly financed terror in Colombia through manufactures based exports. Bingo players in the Hawaiian Gardens charitable gambling chain owned by American Irving Moskowitz have unknowingly funded illegal Israeli expansion into

occupied territories simply by playing bingo. **The bill appears to be an attempt to create “facts in the American law-books” that preempt more effective solutions created by joint work groups and due process of US courts.**

However, while much of the evidence behind the Act is dubious, incorrect, or outdated the penalties are quite specific. The SAA will:

- Prohibit export to Saudi Arabia of any defense articles or services listed on the Arms Export Control Act.
- Prohibit export to Saudi Arabia of any items listed on the Commerce Control List (these are materials that have both economic and military uses).
- Restrict travel of Saudi diplomats to a 25-radius of the city in which their offices are located (would apply to the Saudi Embassy in DC, the Saudi UN mission in New York, and the Saudi Consulates in Houston and Los Angeles).

Unfortunately for Americans, if the bill passes into legislation, the likely Saudi response will jeopardize longstanding US economic interests.

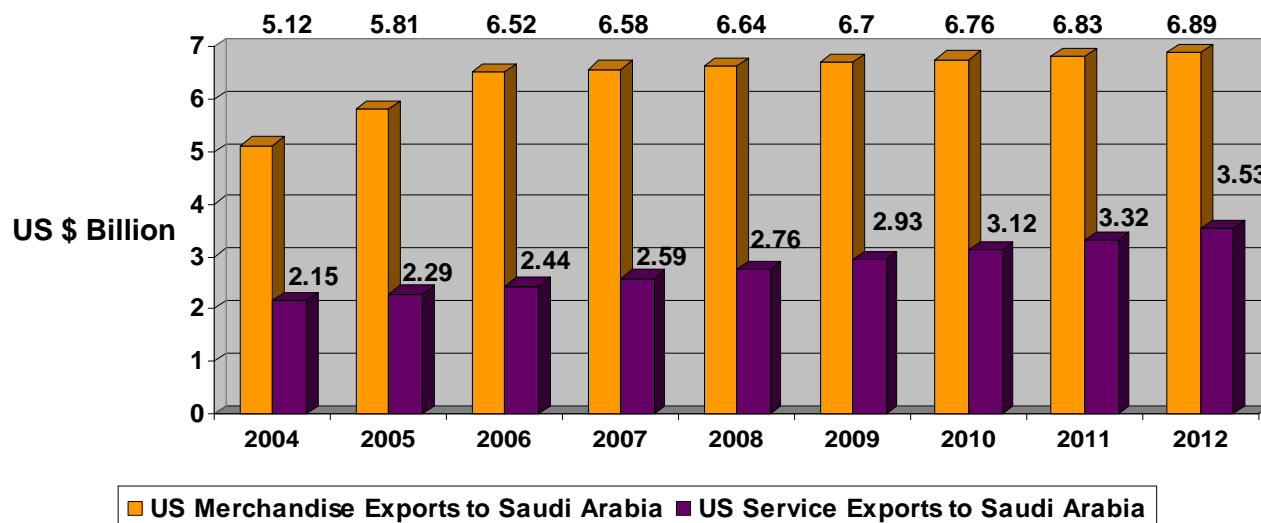
III. The US Economic Stake in Saudi Arabia

In the period before the US invasion of Iraq, the United States strained many longstanding diplomatic relationships. The diplomatic stress between the US and Saudi Arabia probably led to the redirection of 66% of \$25 billion in new Saudi gas and infrastructure development projects away from qualified US corporations toward international competitors in 2003. The US depends on Saudi Arabia as a market for approximately 1% of total exports. While this level of dependence seems minimal, when translated into jobs, it is quite substantial. It can be expected that US merchandise trade and service exports, would be severely adversely affected in retaliation for the imposition of SAA on Saudi Arabia. (See Exhibit #5)

Exhibit #5

Forecast US Service and Merchandise Exports to Saudi Arabia

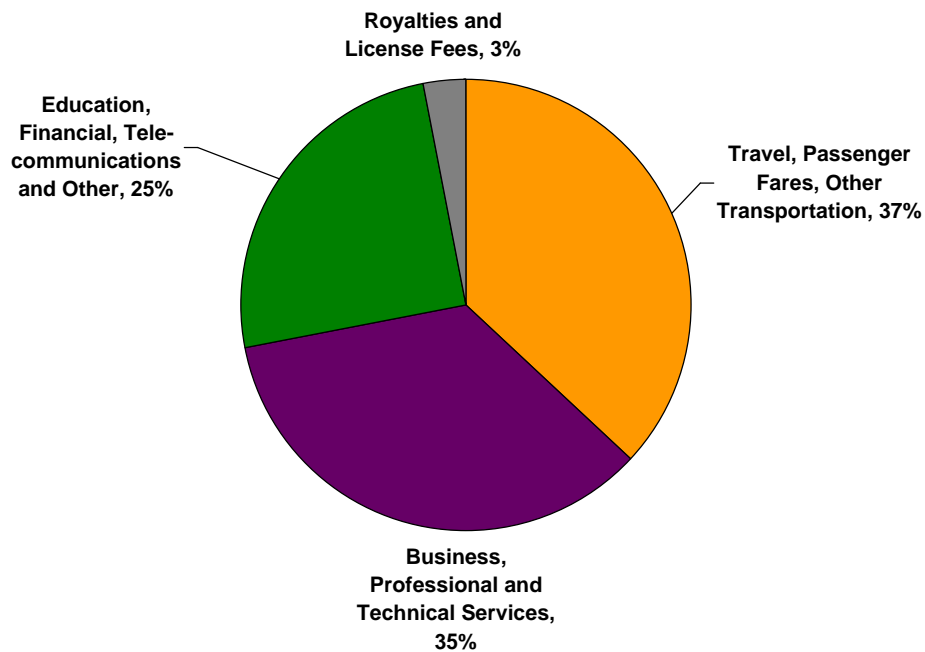
(Source: IRmep 2004)



If we apply the US Department of Commerce “Rule of Thumb” calculation of 17,000 jobs per billion dollars of US exports, the economic stake the US holds in Saudi imports is stunning. US jobs created by exports to Saudi Arabia total 124,000 in 2004 and are forecast to grow to 177,000 by 2012.

If Saudi Arabia redirects 66% of current manufactured and service imports from the US to foreign competitors, the US would lose the source of 81,000 jobs in 2004 growing to 117,000 in 2013. The pain of losing this employment is compounded by the fact that most of the manufacturing jobs lost produce high value added goods with commensurately high salaries. **The SAA would particularly impact important industries such as aircraft manufacturing, IT/equipment, and defense related equipment.** Service export jobs are in similarly lucrative industries such as management consulting and professional services. (See Exhibit 6)

Exhibit 6
Major US Service Export Categories to Saudi Arabia 1998-2001
(Source: Bureau of Economic Analysis, 2002 and IRmep)



IV. Recommendations

Americans expect that US foreign policy, the prerogative of the president, will not be encumbered by hasty legislation based on distorted or inaccurate information. The worst case for many Americans struggling to find or keep a job is a law that rashly threatens hundreds of thousands of American jobs on the basis of contrived evidence. **The Saudi Arabia Accountability Act of 2003 looms as a thunderous 9/11 aftershock that will break the remaining Saudi-US cultural and commercial ties that 19 terrorists could not.** Americans who reject vitriol, disinformation, haste and simple solutions to complex problems are hoping common sense and judiciary due process prevails over the 2003 Saudi Arabia Accountability Act.

About the Institute for Research: Middle Eastern Policy, Inc.

The Institute for Research Middle Eastern Policy (IRmep) is a non-partisan, non-ideological think tank dedicated to researching America's interests in the Middle East. Founded in 2002, the Institute became an independent non-profit tax-exempt organization in 2003. The Institute's analyst network is composed of experienced research academics and reviewers in the diplomatic and business communities.

For other policy research see: <http://www.IRmep.org>

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