

worse is who is financing it. Back in World War II, back in World War I, back any time we had a national crisis in this country and we had to raise money through borrowing, we did it with war bonds and so forth, and people in this country invested in the good of the Nation. That is not happening. We are now mortgaging our country, 90 percent this year. It has gone up 79 percent in the last 4 years. We are borrowing from people who do not have America's best interests at heart. I hope that is the second lesson that comes out of this tonight. Please, if you think that is important, if you know, as I do, that we are creating a financial vulnerability second only as a matter of national security to the war on terrorism, because we will lose control of our own financial destiny, control of our economy if this is not quickly reversed.

And third, the way to reverse it is to immediately establish the rules of pay-as-you-go. Every family does it. If I want to spend some money over here, I have to cut somewhere over here. It is that simple. We all do it. They refuse, the Republican leadership here refuses to put what we call PAYGO rules back in. They work. If you have a good idea, that is fine. How are you going to pay for it? You have to cut somewhere else to do it. We ought to demand, the citizens, the highest officeholders in our land must demand financial accountability that has been sadly and, in my judgment, heart-breakingly absent here. I yield to the gentleman from Mississippi.

Mr. TAYLOR of Mississippi. Mr. Speaker, just along the lines of the gentleman from Tennessee (Mr. TANNER), and I am really reminded of it when I see a great American hero sitting across the aisle from us, someone who fought for his country in Vietnam, was an ace, probably has some different views than what we do. But I will say this: I greatly respect the gentleman from California (Mr. CUNNINGHAM), and I greatly respect everyone who has ever served our country. I have enormous respect for all of those fighting in Iraq and Afghanistan tonight.

□ 2300

But I will say this. Those of us who are fortunate enough not to have to fight these wars, ought to at the very least be willing to pay for them right now and not stick those young soldiers and their children with the bill for this war.

That is what is going on. We are just kicking the can. We are asking the kids to fight for us now, and, by the way, when you get home, here is the bill. And if you cannot pay for it, your children and your children's children will pay for it.

Almost every tax on the books, as regrettable as taxes are, almost every tax on the books was put on during wartime. Never in the American history has there been a tax break during a war, never, because every other gen-

eration says, we have a challenge we are going to pay for.

This generation needs to step forward as other generations did. And those of us who are fortunate enough not to fight this war ought to at least be willing to pay for it right now.

Mr. TANNER. Mr. Speaker, we want to thank the staff. We apologize for keeping them here this late. This is a message that we hope people will begin to think about.

TO CAST ASIDE A FRIEND

The SPEAKER pro tempore. Under the Speaker's announced policy of January 7, 2003, the gentleman from California (Mr. CUNNINGHAM) is recognized for half the time before midnight, approximately 30 minutes.

Mr. CUNNINGHAM. Mr. Speaker, I am not going to talk about spending, deficits, taxes, Democrats, Republicans. I am going to do something a little different on the floor. I will talk about a vision for world peace. And the title is "To Cast Aside a Friend," maybe a little different perspective on Saudi Arabia.

There was a speech in which the individual talked about a Saudi businessman who was talking about the murderous events on September 11. We know it as 9/11. The Saudi was worried about the derailment of the partnership and alliance that Saudi Arabia and the United States have enjoyed over the past 60 years for the betterment of a free world, both for Saudi Arabia and for the United States.

I recently visited Saudi Arabia for a couple of weeks, and I want to talk a little bit about what I found there, the support for the United States but yet some of the anger towards the United States, not hatred, but anger.

There has been a fire storm of criticism against Saudi Arabia in the months since 9/11, and the relationships between Saudi Arabia and the United States has been condemned and vilified. I believe Saudi Arabia remains a valuable ally to the United States. The detractors will say that Saudi Arabia is an incubator for terrorism simply because many were Saudis on that flight during 9/11, and they were citizens.

The individuals to whom I spoke in the cabinet and the Shura council, which is like the Congress of the United States, were in disbelief when they were told that Saudis were on that airplane. One of the reasons that some of the people who were reported on those airplanes were still walking around Saudi Arabia, so they said, no, it cannot be. It is misinformation. And when it was proven that it was, they were in disbelief.

If you have a gang of thugs in a city, it does not represent the mainstream of that city. And I found through the citizens I was able to speak to, businessmen, to teachers, to almost every cabinet member, to the Shura council, to women in universities and colleges

in Saudi Arabia, and I found nothing but support for the United States, and a lot want to keep the relationship and better the relationship.

Osama bin Laden was targeting Saudi Arabia, not just the United States, and more specifically, he was targeting the relationship between the two countries by using Saudis as hijackers in 9/11. We know he could have used dozens of different nationalities on those airplanes, but Osama bin Laden wants to bring down the Saudi regime which condemned and expelled him years before.

Second, the disparagers will say that Saudi Arabia is an incubator of terrorism because of school systems.

I will be including this because I do not have time tonight to read the whole thing, but it goes into talk about the bank system, the lending system and how Saudis have shut down terrorism.

I would like to first cover what I found about education. We had about 20,000 Saudi Arabian students in the United States before 9/11. One of the fathers sent his son back. He was a senior in college. And after 9/11 he went through the airplane, and INS saw that he was a Saudi student, held up his visa and made the statement, "Okay, smile for me like a terrorist."

This is the inhumane treatment that many of the students and the ill treatment that people from the Mideast are receiving when they come back into the United States. So when I say anger by the Saudis, not hate, in some cases, I believe it is justified.

I have an individual in my district. He has been an American citizen for many, many years. His brother still lives in Saudi Arabia. His brother's son, named Bater, came through the airport as he had many, many times to come back to school within the United States. He ended up on some list. No one was able to find out what list or why that list existed.

Upon arrival, he was put in handcuffs and shackled, his legs shackled like a common criminal. He was held at the airport and shipped back to Riyadh. No explanation. When he got back to Riyadh, guess what? The United States found out that the allegations were not true.

Now, can you imagine how my constituent's brother treated him when he came back to Saudi Arabia? He still loves the United States. The son, Bater, loves the United States. But would there be anger? If it was my son, you bet.

These are the kinds of things that Secretary Colin Powell is working on to find out, how do we allow the students to come back into the United States, \$1.2 billion just from students coming in from Saudi Arabia? Seventy-five percent of the Saudi cabinet graduated from U.S. schools and colleges and universities. Most of them end up with Ph.D.s. These are the leaders running the country in Saudi Arabia; and every one of them with whom I spoke

supported the United States and wanted to regain that kindling relationship. It is best in their economic and their political lives to be friends with the United States.

One other area that I have heard criticism of Saudi Arabia, that they teach Wahhabism. Eighty-five percent of the curriculum in Saudi Arabia is okay by the United States; 15 percent was marginal; and 5 percent taught intolerance. Well, guess what? The Saudi government under the Crown Prince said, all right, imams, the teachers; they fired over 3,000 of these imams who were teaching intolerance. They have changed the curriculum to go along with a 100-percent okay by the United States. They either fired these imams or they actually threw them in jail, and now, they actually have a school curriculum to purport no intolerance, will be taught within the Saudi schools.

The curriculum had not changed much in 40 years in Saudi Arabia, but they are doing that because they know that is also in their best interest. Now, also, 75 percent of the Shura council, that is like our Congress, Republicans or Democrats or however they are made up over there, but to the person there when I spoke to them, their Shura council supported the United States.

□ 2310

It was an odd thing though, Mr. Speaker. Every person that had just visited the United States and the Cabinet or the Shura Council had not made those personal relationships, not made friendships, learned our economic system, learned why a free society is good. They rejected the United States and said I do not need the United States; I will send my son to Australia, or New Zealand or to England to learn.

My fear, Mr. Speaker, is that in a very short time we have 75 percent of the Cabinet and the Council and the leadership in Saudi Arabia that is very strong supporters of the United States. If we lose that relationship because their sons and their daughters and this generation is going to other countries to study, we are going to lose that mass friendship toward the United States and the support that we have today, and that is scary.

The next generation will be lost. Many of the businesses that support the United States are now purporting to Russia and China and Vietnam to New Zealand and Australia. We are losing \$40 billion a year in just trade and business because of the way that we are treating Saudi Arabia.

One of the key issues I think in the relationship is visa delay. It is critical. Secretary Colin Powell, when I spoke to him, is working diligently to make sure that we improve the visa situation and at the same time ensure national security and homeland security in visa issuance. That is a difficult task but we have got to do it. These visa restrictions are alienating students and the Saudi people themselves.

In medical care and health care, most Saudis come to the United States for their health care. One of the groups were talking about health care a minute ago, but our hospitals and doctors lose over \$1 billion a year from Saudis coming to our hospitals. When you take a look at the hotels, the restaurants, the transportation that they use, the firms that they contact for business, we are looking in excess of \$15 billion a year that the United States loses in revenue. Four hundred in new business opportunities have been lost between 2003 and 2004.

Colin Powell once said that like our Statue of Liberty our Nation has a spine of steel but our torch is a welcome torch, and that is all we are trying to do, Mr. Speaker, is to make sure that our longest-serving friend in the Middle East, Saudi Arabia, remains our friend, and we castigate those that would say otherwise.

I would be a fool to say that Saudi Arabia does not have its own problems. Are there people that want to kill us in Saudi Arabia? Absolutely, but I want to tell my colleagues, there are other areas in what I looked at as well.

The leadership in Saudi Arabia escorted me to several banks where I witnessed American, Canadian and British auditors in every bank making sure that every single dollar that goes through there is legitimate and not going to service terrorism. They have taken their charities into one group, and anyone that invests in a charity cannot do it with cash. You cannot use an ATM card. You cannot use a credit card. The individual that puts the money into the charity has got to be identified and identify where the money is going to, penny for penny. We could not do that in this country, but yet Saudi Arabia is trying to cut off any fiscal resources that the terrorists could use, both through money laundering in their banks or through charities, and they have done a good job.

It is not just with the United States. They are working with Interpol. They are working with MI5. They are working with our intelligence services on a day-to-day basis on banking, on money laundering, on charities.

Mr. Speaker, I sit on the Permanent Select Committee on Intelligence, and I cannot get into a lot of it, but I want to tell my colleagues that the intelligence that we receive from Saudi Arabia rivals the information that we receive from our strongest allies, and I want to tell my colleagues also, Mr. Speaker, they are suffering miserably against al Qaeda. Just in the past weeks they have killed or captured 300 al Qaeda, at a loss of many of their police and their own military. Many have realized that if they pet the wolf, the wolf is going to bite them. They are in full array trying to share as much information as they can with us and our allies.

Crown Prince Abdallah Aziz and King Fahd are visionaries, Mr. Speaker. I would like to submit for the RECORD

copies of initiatives and actions taken by Saudi Arabia to combat terrorism. There are reams of pages of loss of life of Saudi police and military that talks about the captures in here. It documents it. It talks about their international cooperation, the regard to charitable organizations, combat money laundering, legal and regulatory actions.

I would also like, Mr. Speaker, to submit for the RECORD political and economic reforms in the kingdom of Saudi Arabia, and somewhere in here I think most importantly are the public statements by senior Saudi officials condemning extremism and promoting modernization.

POLITICAL AND ECONOMIC REFORM IN THE KINGDOM OF SAUDI ARABIA

The Government of Saudi Arabia has implemented a number of political and economic reforms to encourage political participation, promote economic growth, increase foreign investment and expand employment opportunities. The Kingdom has been updating and modernizing its academic curricula, and monitoring its religious schools. It plans to hold municipal elections as part of a comprehensive streamlining of local government. In addition, the Kingdom is promoting its free market economy by privatizing twenty major state enterprises, establishing fourteen regulatory authorities to carry out reforms, improving foreign investment laws, revising a broad range of commercial laws and implementing intellectual property rights to foster innovation. It is also becoming a more significant player in international trade by seeking membership in the World Trade Organization (WTO).

SAUDI ARABIA AND REFORM IN THE ARAB WORLD

In January 2003, the Kingdom of Saudi Arabia presented a bold initiative entitled 'Charter to Reform the Arab Position' to encourage economic and political reform in the Arab world.

The Charter urges Arab states to recognize the need for internal reform and greater participation by citizens in the political process as important steps toward the development of Arab human resources and the democratization of the Arab world.

The initiative calls on Arab states to implement a Greater Arab Free Trade Zone by the end of 2005. The goal of this agreement is for Arab states to implement unified tariffs and duties within 10 years, which will serve as the basis for the establishment of a Common Arab Market (CAM). It also encourages members of the League of Arab States to modernize local economies, privatize government-owned industries and open economic development opportunities to outside investment and participation.

At the end of the 16th Arab Summit in Tunis, May 22-23, 2004, Saudi Arabia along with the other 21 members of the Arab League issued the "Tunis Declaration" and pledged to carry out political and social reforms, promote democracy, expand popular participation in politics and public affairs, and reinforce women's rights.

SAUDI ARABIA AND POLITICAL INITIATIVES AND LEGISLATION

In 1992, Custodian of the Two Holy Mosques King Fahd bin Abdulaziz introduced three major political developments to modernize the government within the framework of the Kingdom's traditions:

The formation of the Consultative Council (Majlis Al-Shura)—The Consultative Council currently consists of 120 members who serve four-year terms.

The establishment of Consultative Councils in each of the 13 provinces of Saudi Arabia—The Consultative Councils are composed of leading citizens who help provide input and review management of the provinces by their respective local governments.

The introduction of the Basic Law of Governance—The Basic Law is similar to a constitution.

On November 29, 2003, King Fahd approved changes that would enhance the legislative role of the Consultative Council. The amendments to Articles 17 and 23 of the Consultative Council System grant the Council the power to propose new bills or amendments to regulations in force and debate such proposals without prior approval from the King.

Elections

On October 13, 2003, Saudi Arabia approved groundbreaking plans to streamline local and municipal governments by introducing elections for half of the members of each municipal council to ensure that citizens have a strong voice in local affairs. A one-year period was given to the authorities responsible for managing and finalizing the election procedures.

The proposal for elections marked an important step in the Kingdom's ongoing reform agenda and followed King Fahd's address to the Consultative Council on May 17, 2003, where he said: "I would like to confirm that we will continue on the path of political and economic reform. We will work to improve our system of government and the performance of the public sector and broaden popular participation in the political process."

On July 10, 2004, Saudi Arabia announced that the basic regulations and systematic procedures for the election process had been established, and that committees had worked through the details for establishing election centers, registering voters and candidates and setting deadlines in the election of members in 178 municipal councils across all cities and villages in the Kingdom's 13 provinces.

On September 7, 2004, the Minister of Municipal and Rural Affairs Prince Met'eb bin Abdulaziz issued directives that a committee be set up to supervise the upcoming municipal elections in Riyadh Province. The committee, affiliated with the Ministry's general committee for the election process, will supervise implementation of the rules and regulations and all other preparatory and executive works.

In addition, Saudi Arabia briefed a visiting team of United Nations experts on the measures completed by the Ministry of Municipal and Rural Affairs relating to the elections, and the UN team held meetings with the committees supervising the process.

On September 11, 2004, dates were announced for the three phases of the election process: for Riyadh province, February 10, 2005, with voter registration from November 23 to December 22, 2004; for the four southern provinces and the Eastern Province, March 3, 2005, with voter registration from December 14, 2004, to January 12, 2005; and for the rest of the country, April 21, 2005, with voter registration from February 15 to March 16, 2005. Candidates can register for the three phases December 26 to 30, January 30 to February 3, and March 20 to 24, respectively.

King Abdulaziz Center for National Dialogue

On August 3, 2003, Crown Prince Abdullah announced the establishment of the King Abdulaziz Center for National Dialogue to promote the public exchange of ideas as an essential part of life in Saudi Arabia. So far, three rounds of talks have taken place, covering standards of education, the emergence of extremism, and the role of women. The next national dialogue will be in October 2004

and will focus on youth issues. In his address to the European Policy Centre on February 19, 2004, Saudi Arabia's Minister of Foreign Affairs Prince Saud Al-Faisal said: "The Center for National Dialogue was established with a broad agenda including, but not limited to, reassessment of the standards of education; dealing with the emergence of extremism; the essential role women should play in society; and institutional development. Diversity and tolerance are the guiding principles."

National Human Rights Association (NHRA)

In March 2004, Custodian of the Two Holy Mosques King Fahd bin Abdulaziz approved the establishment of the first independent human rights organization in Saudi Arabia. The National Human Rights Association (NHRA) implements the international human rights charters signed by the Kingdom. The NHRA, which includes a special panel to monitor violations of women's rights, was formed following the October 2003 human rights conference entitled "Human Rights in Peace and War". The human rights conference concluded with the issuance of the "Riyadh Declaration" which states that respect for human life and dignity is the foundation of human rights; that a human being deserves respect, regardless of race, color or sex; that violation of human rights is a crime deserving severe punishment; that to hold a human being in custody without legal basis is forbidden by Islamic laws; that disregard for privacy and property rights is a violation of human rights; and that tolerance of faith is required by Islam, which also prohibits coercing people to follow a certain religion.

Press law

On July 17, 2001, the Kingdom endorsed a 30-article law to restructure the press industry and allow journalists to establish a trade association. On February 24, 2003, the Saudi Journalists Association was officially established to protect the rights of journalists in the Kingdom and coordinate relations between journalists and the media establishment, and on June 7, 2004, elected a nine-member board that includes two women. In March 2004, the Consultative Council passed a resolution urging the Ministry of Culture and Information to encourage greater freedom of expression in the Saudi media, and to open up opportunities for investment in the media to the Saudi private sector.

Education

In Saudi Arabia today, there are eight public universities, more than 100 colleges and more than 26,000 schools. Some five million students are enrolled in the education system, which boasts a student to teacher ratio of 12.5 to 1—one of the lowest in the world. Of the 5.2 million students enrolled in Saudi schools, half are female, and of the 200,000 students at Saudi universities and colleges, women comprise more than half of the student body. The government allocates about 25 percent of the annual state budget to education. Recent initiatives include:

In February 2002, Saudi Arabia initiated a process of evaluating and assessing its school curriculum. This audit determined that about five percent of textbooks contained possibly offensive language. A program was put into place to eliminate such material and textbooks and curricula have been updated and modernized. Two pilot programs, one in Riyadh and one in Jeddah, have been established to experiment with new teaching methods.

Student councils are being set up in public schools to begin educating young Saudis about civic responsibilities and participatory governance.

In August 2002, the Department of Statistics reported that 93.2 percent of Saudi

women and 89.2 percent of Saudi men are literate.

Saudi Arabia is open to foreign investment for private higher education.

In October 2003, Dr. Maha Abdullah Orkubi was appointed Dean of the Jeddah branch of the Arab Open University (AOU), the first time for a Saudi woman to be appointed to such a senior academic position.

Saudi Arabia has introduced English language classes to the Sixth Grade for the 2004–2005 academic year in order to improve English teaching at intermediate and secondary schools.

Religion

During 2003, two thousand imams who had been violating prohibitions against the preaching of intolerance were disciplined or removed from their positions, and more than 1,500 have been referred to educational programs. The Ministry of Islamic Affairs has begun a three-year program to educate imams and monitor mosques and religious education to purge extremism and intolerance. On April 27, 2004, at a reception in New York co-sponsored by the U.S.-Saudi Business Council and the Council on Foreign Relations (CFR), Saudi Arabia's Minister of Foreign Affairs Prince Saud Al-Faisal explained: "It is the religious establishment in Saudi Arabia that in fact is proving to be the body most qualified to de-legitimize Al-Qaeda's claims, the very religious community that is being attacked and discredited." For more information about the efforts of Saudi Arabia's religious establishment, please consult the "Public Statements by Senior Saudi Officials Condemning Extremism and Promoting Moderation" report, which can be found on the Embassy web site at <www.saudiembassy.net>.

Judicial Regulations

Saudi Arabia has recently passed several important regulations to ensure a fair and balanced justice system, including:

Law of Procedure Before Shari'ah Courts

In September 2001, Saudi Arabia passed the Law of Procedure Before Shari'ah Courts to regulate the rights of defendants and legal procedures. In addition to granting defendants the right to legal representation, the law outlines the processes by which pleas, evidence and experts are accepted by the court.

Code of Law Practice

In January 2002, the Code of Law Practice went into effect in Saudi Arabia. The law outlines the specific requirements necessary to become an attorney, including education, registration and admission to the courts as well as licensing. The law also defines the duties and rights of lawyers, including the right of attorney-client privilege.

Criminal Procedure Law

In May 2002, the Criminal Procedure Law, a 225-article bill, was passed to regulate the rights of defendants and suspects before the courts and police. The law protects a defendant's rights with regard to interrogation, investigation, and incarceration and also grants the defendant access to the Bureau of Investigation and Prosecution. Members of the Bureau of Investigation and Prosecution are to ensure, through visits, that the rights of the defendants and persons in custody are being protected. The law also outlines a series of regulations that justice and law enforcement authorities must follow during all stages of the judicial process, from arrest and interrogation, to trial and the execution of verdicts, ensuring that the judicial process remains fair and balanced.

In April 2004, the Ministry of Justice organized a symposium on the Kingdom's judicial system. The communiqué declared that

Shariah [Islamic Law] is viable at all times and places; that legal procedures should be filed in a manner that supports the individual's rights and penal procedures should reflect human dignity in accordance with Shariah; and that equal rights should be extended to individuals with regard to legal aid in all phases of penal lawsuits of a public nature.

SAUDI ARABIA AND ECONOMIC INITIATIVES AND LEGISLATION

Applying for accession to the World Trade Organization (WTO)

Saudi Arabia is one of the largest economies outside the World Trade Organization (WTO). Recent steps toward privatization and market liberalization have called for fresh negotiations on Saudi Arabia's bid to join the WTO. In the accession process, the Kingdom is negotiating bilateral agreements with current WTO members while adopting the organization's various trade rules. The Kingdom of Saudi Arabia and the European Union signed a bilateral agreement on August 31, 2003, guaranteeing free access to goods and services. Moreover, Saudi Arabia has already signed 35 bilateral trade agreements with other members of the WTO, including China, Japan, Canada, Brazil, Argentina and Australia. Talks between Saudi Arabia and the United States are ongoing in mid-September, 2004.

On July 5, 2004, the Council of Saudi Chambers of Commerce and Industry (CSCCI) announced plans to set up early next year a center that will provide technical and support services to Saudi businesses in preparation for the Kingdom's accession to the WTO.

Copyright Law

On June 9, 2003, the Council of Ministers endorsed the Copyright Law, a 28-article document that meets the requirements of the World Trade Organization's Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS), placing Saudi Arabia one step closer to entry in the WTO. The law protects intellectual property including print publications, lectures, audio recordings, visual displays, as well as computer programs and works of art. The law establishes a range of fines and actions that can be effected for copyright violations. Saudi Arabia has also joined the Universal Copyright Convention and the Berne Convention for the Protection of Literary and Artistic Works to further protect intellectual property and encourage continued development and innovative thinking.

Patent Law

On July 17, 2004, the Council of Ministers approved a 65-article law on patents, integrated circuits, plant varieties and industrial designs. The new law also meets the requirements of TRIPS and the Paris Agreement for Industrial Property.

The Capital Markets Law

On June 16, 2003, the Council of Ministers passed the Saudi Arabian Capital Markets Law. The law will stimulate and strengthen the Saudi economy and increase the participation of Saudi citizens in the capital markets. The law:

Establishes the Saudi Arabian Securities and Exchange Commission (SASEC) to protect investor interests, ensure fair business, promote and develop the capital market, license brokers and offer securities to the public.

Establishes the Saudi Arabian Stock Exchange (SASE), which will incorporate the national securities depository center.

Foreign Investment Law

The Foreign Investment Law, enacted by the Saudi Arabian General Investment Au-

thority (SAGIA), was set up to allow foreign investors to own property, transfer capital and profits, claim full ownership of their projects and enjoy a reduction in tax rates. The law protects foreign investors from confiscation of property without a court order or expropriation of property, except for public interest, against an equitable compensation. In August 2002, SAGIA passed an amendment to the Executive Rules of the Foreign Investment Act strengthening the legal framework, allowing foreigners to, for instance, own land and avoid double taxation.

Capital Gains Tax

On January 12, 2004, the Cabinet cut the capital gains tax on foreign investors from 45 percent to 20 percent and fixed the tax on natural gas at 30 percent.

U.S.-Saudi Council for Trade and Investment

On July 31, 2003, Saudi Arabia and the United States signed an agreement to strengthen commercial and investment relations. As a result, the U.S.-Saudi Council for Trade and Investment was established to meet at least once a year to enable representatives of both countries to review the signing of additional agreements on trade, protection of intellectual property rights, investment, vocational training and environmental issues. There are 337 joint ventures between the two countries with a total investment of more than \$21 billion. American companies are the largest group of foreign investors in the Kingdom.

Enacting the GCC Customs Union

The Customs Union was established on January 1, 2003, by the Gulf Cooperation Council (GCC) to standardize customs duties in the six member countries. In accordance with the Customs Union, the Government of Saudi Arabia approved the reduction to 5 percent of customs for goods formerly charged between 7 and 12 percent. In addition, the GCC agreed to the principle of a single port of entry. Most related laws and regulations will be standardized by the end of 2005.

SAUDI ARABIA AND AGENCIES THAT PROMOTE REFORM

The following is a list of agencies established to help implement economic reform in Saudi Arabia.

Supreme Economic Council (SEC)

In August 1999, Saudi Arabia announced the formation of the Supreme Economic Council (SEC). The SEC evaluates economic, industrial, agricultural and labor policies to assess their effectiveness. Privatization efforts have gained momentum since the creation of the SEC, which oversees economic restructuring aimed at opening up Saudi markets and attracting investments.

Supreme Council for Petroleum and Minerals (SCPM)

Saudi Arabia established the Supreme Council for Petroleum and Minerals (SCPM) in January 2000, as a body responsible for policymaking on the exploitation of petroleum, gas and other hydrocarbon materials. The SCPM passed the Gas Initiative to develop natural gas fields, transmission pipelines and petrochemical projects in cooperation with international as well as national companies.

Supreme Commission of Tourism (SCT)

The Supreme Commission of Tourism (SCT) was established in April 2000 to help the tourism sector grow and encourage investment from the private sector. Each year, two million Muslims from all over the world visit Saudi Arabia to perform the Hajj, and many more come to perform the minor pilgrimage of Umrah. The Kingdom is a popular

destination for non-religious activities as well. The Kingdom is rich in history and culture and has a variety of tourist attractions to offer, including archeological sites, varied landscapes and shorelines rich in marine life. On March 15, 2004, the Cabinet approved a general strategy for developing the nation's tourism to be carried out by the SCT. The Kingdom's tourist industry is expected to create 489,000 jobs, a number that could reach as high as 2.3 million.

Saudi Arabian General Investment Authority (SAGIA)

In April 2000, the Saudi Arabian General Investment Authority (SAGIA) was set up to further promote foreign investment and serve the business community as a one-stop shop for licenses, permits, and other business paperwork. The 2000 Foreign Investment Law included property ownership rights for foreign investors as well as reduced tax rates for businesses. SAGIA works with the Supreme Economic Council (SEC) and the Supreme Commission of Tourism (SCT) and serves as a mediator between investors and the government.

Food and Drugs Authority (FDA)

In March 2003, a Food and Drugs Authority (FDA) was established to provide consumer protection and ensure the safe utilization of all foodstuffs, pharmaceuticals, medical devices and electronic products.

The Council of Saudi Chambers of Commerce and Industry (CSCCI)

The Council of Saudi Chambers of Commerce and Industry represents the regional Chambers of Commerce and Industry at both national and international levels. The Council monitors and researches economic issues, helps encourage economic growth, organizes seminars and conferences both within the Kingdom and abroad, and creates foreign investment opportunities through trade missions to other nations. In addition, the Council's work has resulted in the issuance of new regulations that allow foreign businessmen, investors, and representatives of foreign firms to acquire entry visas to the Kingdom without having to consult with the Ministry of Foreign Affairs.

ECONOMIC INDICATORS

The best indicator of Saudi Arabia's economic growth is the increase in the Gross Domestic Product (GDP), from \$20 billion in 1970 to \$211.20 billion in 2003. Saudi Arabia's current economy is now the largest in the Middle East.

In 2003 and 2004, Saudi Arabia was given "A" credit ratings by 'Standard and Poor's' for longterm local currency and foreign currency, based on the Kingdom's macro-economic stability and substantial external liquidity.

Today, Saudi Arabia is the world's 25th largest importer/exporter, with foreign trade of \$78 billion. In 2003, trade between Saudi Arabia and the United States totaled more than \$22 billion.

Saudi Arabia is the world's largest oil exporter and has the world's largest spare production capacity. The Kingdom has utilized oil revenues to expand and diversify the Saudi economy to reduce its dependence on oil, which has resulted in impressive gains in the non-oil sector. In 2003, the non-oil industrial sector is estimated to have grown by 3.9%; the construction sector by 2.8%; electricity, gas, and water by 6.2%; transport and communications by 4.3%; and wholesale, retail, restaurants, and hotels by 4.4% in real prices.

In 1975, Saudi Arabia had about 470 industrial plants with overall investments estimated at \$2.7 billion. By 2001, the total number of factories in the Kingdom exceeded 3,300 with a total investment of more than \$90 billion.

The role of the private sector has increased substantially with its GDP rising 28-fold in real terms from 1973 to 2002. Over that period, non-oil exports increased from \$26 million to over \$10 billion, and in 2003, the private sector GDP is estimated to have grown by 3.7% in current prices and 3.4% in real terms, according to Deputy Governor of the Saudi Arabian Monetary Agency (SAMA) Muhammed Al-Jasser in a speech in April 2004.

The all-share index on the Saudi stock exchange stood at 4384 as of December 11, 2003, compared to 2518 at the beginning of the year, representing an increase of more than 74%. Value of shares traded amounted to \$143.2 billion at the end of November 2003, compared to \$35.73 billion in 2002. In May 2004, the index reached 6455.

In the past decade, Saudi Arabia's 10 licensed commercial banks have seen a substantial growth in domestic banking. In 2003, combined capital and reserves of the banks increased to \$12.5 billion with total assets of \$145 billion. Recently, eight leading money exchangers operating throughout the Kingdom agreed to merge and form the Al-Bilad Bank, which will be Saudi Arabia's eleventh commercial bank. The Al-Bilad Bank has a capital of \$.08 billion and is expected to launch its operations in the first quarter of 2005.

"The underlying goal of these reforms is to realize the country's vast economic potential while creating new opportunities both inside and outside Saudi Arabia, and to expand and diversify the Kingdom's economy while creating job opportunities for a rapidly growing population."—Ali Al-Naimi, Minister of Petroleum and Mineral Resources, July 22, 2003.

SAUDI ARABIA AND PRIVATIZATION

In November 2002, the Kingdom of Saudi Arabia announced plans to privatize many of its vital economic sectors. The Supreme Economic Council (SEC) has taken overall charge of the program, specifying the sectors to be privatized and setting out a strategic plan and timetable for the privatization program. Sectors open to privatization include: telecommunications, civil aviation, desalination, highway management, railways, sports clubs, health services, government hotels, municipal services, education services, operation and management of social service centers, Saudi employment services, agricultural services, construction and management of abattoirs, public parks and recreation centers, and cleaning and waste collection. Concrete examples of privatization efforts include:

Telecommunications

In December 2002, the Saudi Telecom Company (STC) was privatized, and 30 percent of its shares were sold to the public in an Initial Public Offering (IPO) that raised more than \$4 billion.

Postal services

In 2002, the Saudi government approved the transfer of the responsibilities of the state-run postal services from the Ministry of Posts, Telegraphs and Telephones (PTT) to the private sector. In January 2003, Dr. Khaled Al-Otaibi, Director General of Posts at the Ministry of Posts, Telegraphs and Telephones (subsequently renamed Telecommunications and Information Technology), reported that privatization of the postal services has been operating successfully, with about 100 agencies established by the private sector.

Saudi Railway Organization (SRO)

On April 11, 2004, General President of the Saudi Railways Organization (SRO) Khaled AlYahya confirmed that three major rail projects have been approved by the Supreme

Economic Council (SEC) for immediate implementation by the private sector. The first project will extend the existing Dammam-Riyadh line to Jeddah. The second will connect Makkah with Madinah through Jeddah. The third will link Riyadh with the phosphate and bauxite mines in the provinces of Qasim and Northern Borders.

Airports

The Kingdom will privatize the management and operation of local and international airports. However, airport security will remain in the hands of the government. Saudi Arabia has 24 domestic airports and three international, in Riyadh, Jeddah and Dammam.

Saudi Arabian Airlines (SAA)

Saudi Arabian Airlines is the largest airline in the Middle East, with a fleet of 117 aircraft carrying more than 12 million passengers per year to 50 cities on four continents. Research has begun for its partial privatization. The privatization effort promises to be a successful endeavor resulting in increased revenues and enhanced performance. In addition, the SEC approved, in June 2003, the opening of the Saudi aviation sector to private enterprise, giving private companies the opportunity to provide domestic airline services.

Ports Authority

The Ports Authority has assigned several projects to the private sector to expedite the handling of goods and maritime services at the Kingdom's eight seaports. For example, at the Jeddah Islamic Port and the King Abdulaziz Port in Dammam, the King Fahd Vessel Repair Yard (located at both ports) and the two areas for processing re-exports are now leased by the private sector.

Health care sector

The Ministry of Health strongly supports the privatization of some state-run hospitals, and in 2003 employed a private company to promote its pre- and post-natal healthcare education program, with the program introduced in more than 85 percent of the Kingdom's hospitals. To further privatization efforts, on October 28, 2003, the Minister of Commerce and Industry, Dr. Hashem bin Abdullah Yamani, approved the formation of a joint stock company for medical care that will establish, own and manage health facilities, including hospitals.

Urban transportation system

Transportation Minister Dr. Jubarah Al-Suraiseri announced in August 2003 that plans are under way to privatize and reorganize Saudi Arabia's urban transportation system.

National Company for Cooperative Insurance (NCCI)

On May 18, 2004, the SEC approved selling off government shares in the Arab world's largest insurance company, the National Company for Cooperative Insurance (NCCI). The sale of government shares in NCCI will help open up the Kingdom's insurance market, which is estimated at more than \$2.5 billion. NCCI has assets of about half a billion dollars and is the only insurance company officially licensed in Saudi Arabia.

Saudi Arabian Mining Company "Ma'aden"

On May 19, 2004, the SEC approved the privatization of the Saudi Arabian Mining Company "Ma'aden", which is wholly owned by the Ministry of Petroleum and Mineral Resources. As a first step toward privatization, "Ma'aden" is setting up a unit to study and evaluate the precious and base metals sector starting January 1, 2005.

"First of all, I wish to make clear that the government of Saudi Arabia has since the very beginning been extremely supportive of

the private economic sector."—Crown Prince Abdullah, Asharq Alawsat, (Arabic daily), May 13, 2002.

SAUDI ARABIA AND FOREIGN INVESTMENT

In April 2000, the Saudi Arabian General Investment Authority (SAGIA) was set up to further promote foreign investment and serve the business community as a one-stop shop for licenses, permits, and other business paperwork. Since its establishment, SAGIA has licensed more than 2,000 projects worth around \$15 billion.

Telecommunications

The Saudi Communication Commission (SCC) was established on December 29, 2001, to open up the market and enable foreign companies to invest in telecommunications. On August 10, 2004, the Council of Ministers licensed UAE's Etisalat to establish and operate the second mobile phone network that includes GSM service.

Insurance

A new Insurance Law was passed on July 14, 2003, that will establish legal structures governing insurance and reinsurance transactions in the Kingdom. Foreign companies are encouraged to invest in the insurance sector.

Saudi Railway Organization (SRO)

In January 2003, the Kingdom of Saudi Arabia short-listed eight foreign companies to consult on the three railway projects to connect the western Red Sea port of Jeddah with the eastern Arabian Gulf port of Dammam, link Jeddah to the holy cities of Makkah and Madinah, and give access to mining projects in the north.

Energy sector

Agreements worth more than \$7 billion have been reached with international oil companies for investments in the energy sector, including a project with Royal Dutch/Shell and TotalFinaElf, to develop upstream gas operations in the southern part of the Empty Quarter [Rub' al-Khali]. These are the first of what is expected to be a total of more than \$25 billion of investments over the next few years.

Mining

In April 2003, the Minister of Petroleum and Mineral Resources announced that a new mining strategy was being finalized to bolster private investment in the mining sector. The Mineral Investment Act was passed on September 13, 2004; it will create jobs and allow local and foreign investors to explore the country's mineral resources. The Kingdom is rich in minerals such as phosphate, iron ore, bauxite, zinc, and copper.

Health care sector

The new laws facilitating the transfer of certain state-run hospitals to the private sector will allow foreign investors to own hospitals. The foreign investor does not need to have a medical background and does not require a Saudi sponsor.

Water and Electricity Sector

In August 2003, the Ministry of Water and Electricity invited Saudi and international companies to bid on water desalination and electricity projects worth more than \$8 billion. The offers were extended in March 2004.

SAUDI ARABIA AND OIL

In 2003, Saudi Arabia's oil revenue totaled \$85 billion. The Kingdom has always acknowledged that unstable energy markets and unrealistically low or high oil prices harm both producers and consumers. Following the horrific attacks on September 11, 2001, the Kingdom dispatched 9 million additional barrels of oil to the United States to ensure price stability and availability. In the fall of 2002, in order to maintain market stability, Saudi Arabia boosted oil production

to compensate for the fall in Venezuelan production, and in the spring of 2003, it boosted output to compensate for the loss of Iraqi production.

On August 11, 2004, Saudi Arabia's Minister of Petroleum and Mineral Resources Al-Naimi stated: "The Kingdom of Saudi Arabia, in collaboration with the other OPEC countries, endeavors to ensure the stability of the international oil market and prevent oil prices from escalating in a way that may negatively affect the world economy or oil demand. To achieve this goal, the Kingdom has increased its production during the last three months to meet the growing demand for Saudi oil. This increase amounted to more than one million barrels per day, bringing to more than 9.3 million barrels daily the average production of the Kingdom during the past three months."

SAUDI ARABIA AND ECONOMIC DIVERSIFICATION

Over the past three decades, the non-oil sector of the Saudi economy has grown from 35 percent to more than 60 percent of total GDP.

Production of gas—Natural gas is used for the Kingdom's domestic consumption for power generation, seawater desalination and various other functions, primarily in the petrochemical industry. With 234 trillion cubic feet of natural gas reserves in 2002, the Kingdom has the fourth largest non-associated gas reserves in the world, and they are still growing. Part of the Kingdom's oil and gas strategy includes expanding the capacity of the gas network from 3 billion to 7 billion cubic feet.

Mining—Saudi Arabia has the largest supply of mineral resources in the region, including precious, base and industrial minerals. The government is encouraging enterprises for extracting and processing these minerals—an area where U.S. companies play a major role.

Construction Materials—The Kingdom of Saudi Arabia is the largest producer of construction materials in the Middle East, and construction is the Kingdom's largest non-oil industry. According to the National Commercial Bank (NCB), the largest bank in Saudi Arabia, the construction and building materials sector currently contributes an annual \$12 billion to the Saudi economy. Saudi Arabia's construction products, including cement, tiles, marble, glass, granite, cable, air-conditioning equipment and fabricated iron and steel, are all exported throughout the region.

Pharmaceuticals—Saudi Arabia has a \$1.17 billion pharmaceutical market estimated to grow at 15 percent annually. With more than 2,400 pharmacies and more than 4,600 registered drugs, both generic and patented, Saudi Arabia is the largest consumer of pharmaceuticals in the Gulf region. The United States exported more than \$82 million worth of pharmaceuticals to the Kingdom in 2001, a 47 percent increase from the previous year.

Banks—On October 6, 2003, during a visit by German Chancellor Gerhard Schroeder, the Kingdom gave Deutsche Bank approval to open a branch and operate as the first independent, wholly foreign-owned bank in Saudi Arabia. Additional possibilities for wholly foreign-owned banks in Saudi Arabia include BNP Paribas Bank of France and J.P. Morgan Chase Bank.

Stock Exchange—The Stock market has developed significantly over the past decade and is, by far, the largest in the Middle East. Value of shares traded amounted to \$143.2 billion at the end of November 2003, compared to \$35.73 billion in 2002.

SAUDI ARABIA AND EMPLOYMENT

The following information is based on data on the labor force from the Central Depart-

ment of Statistics (CDS) of Saudi Arabia's Ministry of Economy and Planning for the year 2002.

Employment figures

The total population in Saudi Arabia increased from 12 million in 1980 to more than 20 million in 2000. The Saudi labor force is defined as all Saudis, 15 years of age and older, who are either employed or seeking a job, and in 2002 amounted to 3.15 million (consisting of 2.68 million males and 465,000 females) with an unemployment rate of 9.6 percent. The Kingdom is involved in various initiatives to increase employment levels among young people and women.

The creation of job opportunities

The Saudi government seeks to create jobs through the various reforms addressed in this booklet such as economic diversification, privatization, opening up the market and other initiatives, including:

The National Program for Training and Employment

The National Program for Training and Employment helps Saudi citizens find jobs in both the public and private sectors. The Program is responsible for the creation of job opportunities, job training and Saudization.

Saudization

Saudization is a measure that applies limitations to the number of foreign workers employed in order to slowly increase dependency on Saudi workers. In 2002, the non-Saudi labor force amounted to 3.09 million. The government continues to provide incentives to create more employment opportunities for its citizens as well as provide incentives for participation in job training.

Centennial fund

On July 8, 2004, Custodian of the Two Holy Mosques King Fahd bin Abdulaziz approved the formation of a charitable foundation called the "Centennial Fund" that will provide assistance to all Saudi citizens, both men and women, who seek to achieve economic independence by setting up small business enterprises. On July 20, 2004, the Centennial Fund signed an agreement with the Saudi Arabian General Investment Authority (SAGIA) to work together in helping Saudi entrepreneurs to translate their commercial ideas into projects.

Employment of women

In 2002, there were 465,000 Saudi women in the labor force; this represents 15 percent of the total Saudi labor force. Saudi women are owners or part owners of more than 22,000 businesses. Accounting, banking and computer training centers have been established to prepare women for jobs, and as a result, more opportunities have opened up for women, including those in the technological, automotive and other industrial sectors.

INITIATIVES AND ACTIONS TAKEN BY THE KINGDOM OF SAUDI ARABIA TO COMBAT TERRORISM

Following the horrific events of September 11, an international coalition composed of more than 100 nations was formed to combat terrorism. Saudi Arabia is an active partner in this coalition and has been working diligently with the United States and other nations to destroy terrorist organizations and eliminate the threat they pose to the international community.

Saudi Arabia, as the birthplace and cradle of Islam, has a very special role to play in the war on terrorism. Its opposition to Al-Qaeda's hateful ideology sends a clear message to the world that these extremists and their cult do not represent the peaceful Islamic religion. This stand has unfortunately made the Kingdom even more of a target,

but the people of Saudi Arabia are determined not to let terrorism destroy their country or corrupt their faith.

The attached report is a compilation of the Kingdom's counter-terror efforts to date. The people of Saudi Arabia remain staunch allies of the international community in its campaign against terrorism.

In its efforts to confront terrorism, Saudi Arabia has: Questioned thousands of suspects; arrested more than 600 individuals; dismantled a number of Al-Qaeda cells; seized large quantities of arms caches; extradited suspects from other countries; and established joint task forces with the United States.

"I vow to my fellow citizens and to the friends who reside among us, that the State will be vigilant about their security and well-being. Our nation is capable, by the Grace of God Almighty and the unity of its citizens, to confront and destroy the threat posed by a deviant few and those who endorse or support them. With the help of God Almighty, we shall prevail."—Crown Prince Abdullah bin Abdulaziz, Deputy Prime Minister and Commander of the National Guard, May 13, 2003.

ARRESTS AND QUESTIONING OF SUSPECTS

Saudi intelligence and law enforcement authorities have been working closely with the United States and other countries as well as with Interpol to identify, question and when appropriate, arrest suspects. Since September 11, Saudi Arabia has questioned thousands of suspects and arrested more than 600 individuals with suspected ties to terrorism.

Specific actions

On September 5, 2004, three security officers were killed when their car caught fire after being hit by gunfire while pursuing a suspect vehicle. The officers were part of a security force carrying out operations in the southern part of the city of Buraidah. Seven militants were arrested in the operation. The deaths of Sergeant Mufleh Saad Ruweishid Al-Rasheedi, Sergeant Sayer Farhan Ghanim Al-Nomasi and Murif Shakir Eid Al-Rasheedi bring to 36 the total of security personnel who have lost their lives fighting terrorism since May 2003.

On September 3, 2004, one security officer, Yousef bin Ayed Al-Harbi, was killed and three injured during operations in Buraidah. Surveillance of a suspected residence and vehicle led to an exchange of fire between security forces and another vehicle. After a pursuit through a residential neighborhood, the driver of the second vehicle was killed, and another individual involved in the incident was arrested.

On September 2, 2004, the Ministry of Interior announced that Abdullah bin Abdulaziz bin Ahmed Almughrin had voluntarily surrendered to security authorities. He was wanted for his involvement in setting up an Al-Qaeda cell in the Eastern Province, three of whose members were recently arrested. The cell is suspected of preparing the attack in Al-Khobar on May 30, 2004. Almughrin is also suspected of having links to other parties, both inside and outside the Kingdom, that have been planning acts of terrorism.

On August 30, 2004, security forces in the Eastern Province were carrying out investigations when a car carrying four persons tried to break through security barriers. In the ensuing exchange of fire, one of them was killed, and the other three wounded, and arrested. The search operation also led to the arrest of another suspect, and the seizure of two vehicles that had been under surveillance by the security forces.

On August 11, 2004, Abdulrahman bin Obaid-Allah Al-Harbi was killed in the vicinity of the Holy Mosque in Makkah after he

attacked security officers who were trying to apprehend him. He was wanted for his involvement with an extremist group and the manufacturing of explosives.

On August 5, 2004, Faris Ahmad Jamaan Al Showeel Alzahrani, one of the leaders of the group that has been calling for terrorist attacks, was arrested. Saudi Arabia's most-wanted list now stands at 11 at large, with 12 killed and three in custody.

On July 22, 2004, Fayed bin Rasheed bin Mohammad Al-Khashman Al-Dossary surrendered to security authorities in the city of Taif, expressing the desire to benefit from the grace period offered by Custodian of the Two Holy Mosques King Fahd bin Abdulaziz.

On July 20, 2004, in a raid on a suspected hideout in the city of Riyadh, security forces killed two suspects, one of whom, Isa Saad Mohammad bin O'ooshan, was on the list of Saudi Arabia's most-wanted. Recovered during the raid were the partial remains of Mr. Paul Marshall Johnson, Jr., the American who was kidnapped and murdered by Al-Qaeda in June.

On July 17, 2004, Ibrahim Al-Sadiq Al-Bakri Al-Qaidi arrived in the Kingdom from Damascus, where he had surrendered to the Saudi Embassy, expressing the desire to benefit from the grace period offered by Custodian of the Two Holy Mosques King Fahd bin Abdulaziz.

On July 13, 2004, top Al-Qaeda suspect Khalid bin Odeh bin Mohammed Al-Harbi, also known as Abu Sulaiman Al-Makki, surrendered to Saudi authorities at the Saudi Embassy in Iran and was later transported to Saudi Arabia.

On July 3, 2004, the Ministry of Interior confirmed the deaths of two militants, Rakan Muhsin Mohammed Alsaykhan and Nasir Rashid Nasir Alrashid, who were on the list of 26 most wanted that was published in December 2003. The two died of wounds received in an incident on April 12 in the Riyadh suburb of Al-Fayha, in which a security officer lost his life.

On July 1, 2004, terrorist Awad bin Mohammed bin Ali Al-Awad, wanted for his involvement in the April 12 incident, was killed and another suspect was arrested and has been identified as Abdulrahman bin Mohammed bin Abdulrahman Al Abdulwahab, wanted in connection with the murder of a German resident in Riyadh on May 22. A security officer, Private Muslih bin Saad Al-Qarni, was killed in this incident.

On June 30, 2004, a terrorist was killed in a shootout in Riyadh, later identified as Fahd bin Ali Al-dakheel Algalban. Security forces seized, in addition to weapons such as Kalashnikovs and pistols, a laboratory for preparing explosive devices, equipment for forging documents, and materials for medical treatment and first aid.

On June 23, 2004, in a televised address read on behalf of Custodian of the Two Holy Mosques King Fahd bin Abdulaziz by Crown Prince Abdullah bin Abdulaziz, Deputy Prime Minister and Commander of the National Guard, the government of the Kingdom of Saudi Arabia offered those involved in terrorist activity a last opportunity to repent and voluntarily surrender within one month, or face resolute and determined force: whoever surrendered would be assured due process in accordance with Shariah [Islamic Law]. Hours later, Sa'aban bin Mohammed bin Abdullah Al-Lailahi Al-Shihri, wanted for the past two years, became the first militant to accept the offer and surrender to authorities. On June 28, 2004, Osman Hadi Al Maqboul Almarady Alomary became the second to do so; he is on the list of Saudi Arabia's 26 most-wanted that was posted last December.

On June 18, 2004, Abdulaziz Abdulmohsen Almughrin, head of the deviant group that

has been terrorizing the Kingdom, and which was responsible for the brutal murder of U.S. hostage Paul Johnson, was one of the four suspects killed in a siege in the Maalaz area of the city of Riyadh. The three others killed were identified as Faisal bin Abdulrahman Al-Dakheel, Turki bin Fehaid Al-Mutairi, and Ibrahim bin Abdullah Al-Duraimhem. One security officer was killed, and two others wounded. Found at the scene were three cars, one of which had been used in a recent attack on a BBC journalist and his photographer; ammunition and weapons, including sub-machine guns, rocket launchers, pipe bombs and grenades; and a stack of identity papers.

On June 1, 2004, security forces killed two suspects during a shootout in an isolated area of Al-Hada on the Taif-Makkah road. The two suspects had been identified as being implicated in the criminal terrorist attack that took place in Al Khobar on May 29, 2004, that resulted in the deaths of 22 people, including one American and three Saudis. Security forces rescued 41 hostages in that incident; one of the four terrorists was wounded and apprehended.

On May 20, 2004, security forces killed four terrorist suspects and injured another in a gunfight in Qasim Province. The security forces came under heavy fire from machine-guns after locating five terrorist suspects in a rest house in Khudairah, a village in the area of Buraidah. Two security officers were killed. Weapons and ammunition were confiscated.

On May 1, 2004, four terrorists were killed after carrying out an attack in Yanbu that left eight people dead and twenty others wounded. The four belonged to one family: Sameer Sulaiman Alansari, Sami Sulaiman Alansari, Ayman Abdulqader Alansari, and Mustafa Abdulqader Abed Alansari.

On April 22, 2004, five terror suspects were killed following a shootout with security forces in the Al-Safa neighborhood in Jeddah. Four of them were identified as Ahmad Abdulrahman Saqr Alfadhli, Khalid Mobarak Habeeb-Allah Alqurashi, Mostafa Ibrahim Mohammad Mobaraki, and Talal A'nbar Ahmad A'nbari, numbers 23, 11, 25, and 13 on the most wanted list published on December 6, 2003.

On April 18, 2004, the Ministry of Interior issued a statement explaining the developments following incidents on April 12 and 13, 2004; confirming that security forces had seized two trucks loaded with 4,118 kilograms of explosives ready for detonation, plus a car full of weapons; and adding that various other items and weapons had also been seized at different locations. Eight suspects have been arrested in connection with these events.

On March 15, 2004, security forces killed one of Saudi Arabia's most wanted terror suspects: Khalid Ali Ali-Haj, who was on the December 6 list of wanted terrorist suspects. Ali-Haj was a Yemeni national who trained at Al-Qaeda camps in Afghanistan where he worked closely with Osama bin Laden. Security forces searched his car and found six hand grenades, two Kalashnikov assault rifles, ten Kalashnikov ammunition magazines, three 9-mm pistols and the equivalent of about \$137,000 in cash.

On February 22, 2004, the Ministry of Interior confirmed the death of A'amir Mohsin Moreef Al Zaidan Alshihri, who was on the December 6 list of wanted terrorist suspects. He died some time after being wounded during a clash with police in Riyadh on November 6, 2003. The body was recently recovered from where it was buried, just outside the city, and DNA tests proved that it was Alshihri.

On January 30, 2004, security forces stormed a rest house in Al-Siliye district in

the east of the city of Riyadh, arrested seven suspects and seized a number of items including a car rigged with explosives, five rocket-propelled grenade launchers, seven machine guns, 11 pistols, five hand grenades, 21 detonators, military uniforms, and ammunition.

On January 12, 2004, the Ministry of Interior announced that, over the past six months, large quantities of ammunition and weapons had been seized. The total weight of confiscated explosives was 23,893 kilograms. In addition, 301 rocket propelled grenades together with launchers, 431 homemade grenades, 304 explosive belts (ready for use by suicide bombers), 674 detonators, 1,020 small arms and 352,398 rounds of ammunition were confiscated. The Ministry of Interior also called on everyone in Saudi Arabia to cooperate in fighting terrorism and extremism.

On December 30, 2003, Mansoor Mohammad Ahmad Faqeeh, whose name had been published in a December 6 list of 26 wanted terrorist suspects, surrendered to security authorities.

On December 8, 2003, the Ministry of Interior announced that Ibrahim Mohammad Abdullah Alrayis, whose name was on the December 6 list, had been killed by security forces. The Ministry statement praised citizens' cooperation with the security forces, who are pursuing those wanted and those who are trying to undermine the country's security and safety.

On December 6, 2003, the Ministry of Interior published the names and photos of 26 suspects wanted by security forces in connection with the terrorist incidents that have taken place in the Kingdom in the past few months, urging them to surrender to the authorities. The Ministry called on all citizens and residents to report information they may have about any of the wanted suspects. Immediate financial rewards of up to \$1.9 million are being offered for information leading to the arrest of any wanted suspect, or any other terrorist elements and cells.

On November 26, 2003, a suspected terrorist was arrested. The suspect's hiding place was linked to the terrorist cell involved in the November 9 car bombing at the Al-Muhaya residential complex in Riyadh. Search of the hiding place revealed large quantities of arms and documents. Items discovered by security forces include one SAM-7 surface to air missile, five rocket-propelled grenade launchers, 384 kilogram of the powerful explosive RDX, 89 detonators, 20 hand grenades, eight AK-47 assault rifles, 41 AK-47 magazines, and 16,800 rounds of ammunition. Also recovered were four wireless communication devices, three computers, computer disks and CDs, and SR 94,395 in cash, as well as numerous identity cards and leaflets calling for the perpetration of acts of terror.

On November 25, 2003, a car bomb plot was foiled in Riyadh. The encounter with security forces led to the deaths of two wanted terrorist suspects: Abdulmohsin Abdulaziz Alshabanat, who was killed in the exchange of fire, and Mosaed Mohammad Dheedan Alsobaiee, who committed suicide by detonating the hand grenade he was carrying. The vehicle that was seized was loaded with explosives and camouflaged as a military vehicle.

On November 20, 2003, Abdullah bin Atiyyah bin Hudeid Al-Salami surrendered to security authorities. He was wanted for suspected terrorist activities.

On November 6, 2003, security forces investigating a suspected terrorist cell in the Al-Suwaidi district of the city of Riyadh came under fire from the suspects, who attempted to flee while attacking security forces with machine guns and bombs. In the exchange of fire, one terrorist was killed and eight of the security officers suffered minor injuries. On

the same day, in the Al-Shara'ei district of the city of Makkah, two terrorist suspects, who were surrounded by security forces, used home-made bombs to blow themselves up. Their suicide followed a firefight during which they refused to surrender when requested by the security officers.

On November 3, 2003, Saudi police arrested six suspected Al-Qaeda militants after a shootout in the holy city of Makkah in Saudi Arabia. The raid on an apartment triggered a shootout that left two suspected terrorists dead, and one security officer wounded.

On October 20, 2003, security forces raided several terrorist cells in various parts of the country, including the city of Riyadh, the Al-Majma'a District in Riyadh Province, Makkah Province, the Jeddah District of Makkah Province, and Qasim Province. Security forces confiscated items including C4 plastic explosives, home-made bombs, gas masks, and large quantities of assault rifles and ammunition.

On October 8, 2003, security forces raided a farm in the northern Muleda area of Qasim Province and were able to arrest a suspect. Three other suspects fled the scene. Two security officers suffered injuries.

On October 5, 2003, security forces arrested three suspects during a raid in the desert to the east of Riyadh.

On September 23, 2003, security forces surrounded a group of suspected terrorists in an apartment in the city of Jizan. During a gun battle, one security officer was killed and four officers injured. Two suspects were arrested and one killed. The suspects were armed with machine guns and pistols and a large quantity of ammunition.

On July 28, 2003, security forces killed six terrorist suspects and injured one in a gunfight at a farm in Qasim Province, 220 miles north of the capital, Riyadh. Two security officers were killed and eight suffered minor injuries. Four people who harbored the suspects were arrested.

On July 25, 2003, three men were arrested at a checkpoint in Makkah for possessing printed material that included a "religious edict" in support of terrorist acts against Western targets.

On July 21, 2003, the Minister of Interior announced that Saudi authorities had defused terrorist operations which were about to be carried out against vital installations and arrested 16 members of a number of terrorist cells after searching their hideouts in farms and houses in Riyadh Province, Qasim Province and the Eastern Province. In addition, underground storage facilities were found at these farms and homes containing bags, weighing over 20 tons, filled with chemicals used in the making of explosives.

On July 3, 2003, Turki Nasser Mishaal Aldandany, a top Al-Qaeda operative and one of the masterminds of the May 12 bombings, was killed along with three other suspects in a gun battle with security forces that had them surrounded.

On June 26, 2003, Ali Abdulrahman Said Alfaghi Al-Ghamdi, a.k.a. Abu Bakr Al-Azdi, surrendered to Saudi authorities. Al-Ghamdi, considered one of the top Al-Qaeda operatives in Saudi Arabia, is suspected of being one of the masterminds of the May 12 bombings in Riyadh.

On June 14, 2003, security forces raided a terrorist cell in the Alattas building in the Khalidiya neighborhood of Makkah. Two Saudi police officers and five suspects were killed in a shootout. Twelve suspects were arrested, and a number of booby-trapped Qur'ans and 72 home-made bombs, in addition to weapons, ammunition, and masks were confiscated.

On May 31, 2003, Yousif Salih Fahad Al-Ayeeri, a.k.a. Swift Sword, a major Al-Qaeda

operational planner and fundraiser, was killed while fleeing from a security patrol.

On May 27-28, 2003, eleven suspects were taken into custody in the city of Madinah. Weapons, false identity cards and bomb-making materials were confiscated. In addition, Saudi national Abdulmonim Ali Mahfouz Al-Ghamdi was arrested, following a car chase. Three non-Saudi women without identity cards, who were in the car he was driving, were detained.

In May 2003, three clerics, Ali Fahd Al-Khudair, Ahmed Hamoud Mufreh Al-Khaledi and Nasir Ahmed Al-Fuhaid, were arrested after calling for support of the terrorists who carried out the Riyadh attacks. In November 2003, Ali Fahd Al-Khudair recanted his religious opinions on Saudi TV. Shortly after, a second cleric, Nasir Ahmed Al-Fuhaid, recanted and withdrew his religious opinions describing them as a "grave mistake". On December 16, 2003, Ahmed Hamoud Mufreh Al-Khaledi became the third cleric to recant on national television.

Saudi Arabia has provided extensive intelligence and military cooperation in the assault on Al-Qaeda. Given the sensitivity of these operations, disclosure of specific actions or the nature of Saudi cooperation in these areas has intentionally been limited. However, public disclosures to date have revealed major Saudi contributions to the breakup of a number of Al-Qaeda cells, the arrests of key Al-Qaeda commanders, and the capture of numerous Al-Qaeda members.

In June 2002, Saudi Arabia successfully negotiated with Iran for the extradition of 16 suspected Al-Qaeda members.

In June 2002, Saudi Arabia asked Interpol to arrest 750 people, many of whom are suspected of money laundering, drug trafficking, and terror-related activities. This figure includes 214 Saudis whose names appear in Interpol's database in addition to expatriates who fled Saudi Arabia.

In early 2002, Saudi intelligence and law enforcement agencies identified and arrested a cell composed of seven individuals linked to Al-Qaeda who were planning to carry out terrorist attacks against vital sites in the Kingdom. The cell leader was extradited from the Sudan. This cell was responsible for the attempt to shoot down American military planes at Prince Sultan Airbase using a shoulder-launched surface-to-air missile.

INTERNATIONAL COOPERATION

Multilateral cooperation is essential in order to successfully defeat terrorism. Saudi Arabia has supported many international and regional efforts in the fight against terrorism through multilateral and bilateral agreements. The Kingdom is committed to working closely with the European, Asian and U.S. governments, and with the United Nations, to ensure that information is shared as quickly and effectively as possible.

Specific actions

On July 22, 2004, the final report of the National Commission on Terrorist Attacks Upon the United States confirmed: that there is no evidence the government of Saudi Arabia funded Al-Qaeda; that the post 9-11 flights that repatriated Saudi citizens, including members of the bin Ladin family, were investigated by the FBI and "no one with known links to terrorism departed on these flights"; and that the Saudi government had been pursuing Osama bin Laden prior to the attacks on the United States.

On July 2, 2004, the Financial Task Force (FATF) released its fifteenth annual report, which contains an evaluation of Saudi Arabia's laws, regulations and systems to combat money laundering and terrorist financing. According to this evaluation: "Saudi authorities have focused heavily on systems and measures to counter terrorism and the

financing of terrorism. Specifically, they have taken action to increase the requirements for financial institutions on customer due diligence, established systems for tracing and freezing terrorist assets, and tightened the regulation and transparency of charitable organizations."

On April 29, 2004, the Office of the Coordinator for Counter-Terrorism of the U.S. Department of State released its 2003 'Patterns of Global Terrorism' report. The report praises the Kingdom of Saudi Arabia for its "unprecedented" efforts to fight terrorism both inside its borders and abroad. Ambassador J. Cofer Black, Coordinator for Counter-Terrorism, states in his introductory remarks: "I would cite Saudi Arabia as an excellent example of a nation increasingly focusing its political will to fight terrorism. Saudi Arabia has launched an aggressive, comprehensive, and unprecedented campaign to hunt down terrorists, uncover their plots, and cut off their sources of funding."

U.S. Secretary of the Treasury John W. Snow said on January 22, 2004: "The United States, Saudi Arabia, and our other partners around the globe have spoken out loud and clear—terrorism has no place in a civilized world. We will continue to work with Saudi Arabia and all our allies in the war against terror to seek out those who bankroll terrorist organizations and shut them down."

President George W. Bush said on November 22, 2003: "Crown Prince Abdullah is an honest man . . . And he has told me that we are joined in fighting off the terrorist organizations which threatened the Kingdom and they threaten the United States, and he's delivering."

SAMA has also created a committee to carry out self-assessment for compliance with the FATF recommendations and these self-assessment questionnaires have been submitted. The FATF conducted a mutual evaluation on September 21-25, 2003.

Attorney General John Ashcroft commended Saudi Arabia's efforts in the war on terrorism and stated, on August 29, 2003: "I believe that progress is being made and I think not only that it (cooperation) is good but it continues to improve."

Saudi Arabia and the United States established a second joint task force in August 2003, this one aimed at combating the financing of terror. The task force, which was initiated by Crown Prince Abdullah, is further indication of the Kingdom's commitment to the war on terrorism and its close cooperation with the United States in eradicating terrorists and their supporters.

In May 2003, a Saudi-U.S. task force was organized from across law enforcement and intelligence agencies to work side by side to share "real time" intelligence and conduct joint operations in the fight against terrorism. The U.S. Ambassador to Saudi Arabia, Robert Jordan, described the cooperation of Saudi investigators with the U.S. law enforcement representatives as "superb".

On April 30, 2003, Ambassador Cofer Black, Coordinator for Counterterrorism, released the Annual Patterns of Global Terrorism 2002 report and stated that "The Saudi Government has made significant strides, certainly in the last year. They are a strong partner in the war on terrorism. In the past several months, we have made significant strides in our counterterrorism cooperation. The Saudi Government continues to work with us in identifying and working to counter al-Qaeda and other terrorist groups . . . In recent months, I've made two separate trips to Saudi Arabia to work with senior officials. This is, in part, what we believe to be a long-term pattern of close coordination on terrorism issues."

Saudi Arabia redeployed Special Forces to enhance security and counter-terrorism efforts.

Saudi Arabia maintains close relationships with the intelligence and law enforcement agencies of many other nations intensifying counter-terrorism cooperation.

Saudi government departments and banks are required to participate in international seminars, conferences and symposia on combating terrorist financing activities. Saudi Arabia has also hosted many seminars, conferences and symposia on combating terrorism; and is a member of the Financial Action Task Force (FATF) established by the G-7 in 1988.

In 2002, Saudi Arabia completed and submitted two FATF self-assessment questionnaires: one regarding the 40 FATF recommendations on the prevention of money laundering and the other regarding its eight special recommendations on terrorist financing.

SAMA exchanges information on activities related to money laundering and terrorist financing with other banking supervisory authorities and with law enforcement agencies.

Saudi Arabia has appointed Price Waterhouse Coopers as advisors for the FATF Mutual Evaluation and the IMF-sponsored FSAP examination. In addition, the Kingdom has appointed an executive task force representing SAMA and other government agencies for a successful outcome of these evaluations.

ACTIONS TAKEN WITH REGARD TO CHARITABLE ORGANIZATIONS

Charitable giving is an important part of Islam and there are thousands of legitimate charities throughout the Middle East. Since September 11, Saudi Arabia has conducted a thorough review of its charitable organizations and has made a number of specific changes.

Specific actions

On June 2, 2004, a press conference was held at the Royal Embassy of Saudi Arabia in Washington, DC to announce that Saudi Arabia and the United States had jointly designated five branch offices of the Al-Haramain Islamic Foundation as financial supporters of terrorism. It was also announced that Saudi Arabia is folding Al-Haramain and other charities which used to operate abroad into the Saudi National Commission for Relief and Charity Work Abroad.

On February 27, 2004, the Custodian of the Two Holy Mosques King Fahd bin Abdulaziz issued a royal order approving the creation of the Saudi National Commission for Relief and Charity Work Abroad, which, in order to eliminate any misdeed that might undermine Saudi charitable operations, is charged exclusively with responsibility for all donations and contributions outside the Kingdom.

On January 29, 2004, one week after Saudi Arabia and the United States requested the designation of four branch offices of the Al-Haramain Islamic Foundation, the United Nations Security Council announced that Al-Haramain's offices in Indonesia, Pakistan, Kenya and Tanzania had been added to its consolidated list of terrorists tied to Al-Qaeda, Osama bin Laden and the Taliban. Now that these offices are under UN sanctions, member states are obligated to take legal action against them.

On January 22, 2004, Crown Prince Abdullah's Foreign Affairs Advisor Adel Al-Jubeir and Secretary of the Treasury John Snow held a joint press conference in Washington, DC to announce that Saudi Arabia and the United States had asked the UN Sanctions Committee to designate four branch offices of the Al-Haramain Foundation as financial supporters of terrorism. The branches are located in Kenya, Tanzania, Pakistan and Indonesia and subject to the laws and regulations of those countries.

On December 22, 2003, Saudi Arabia and the United States took steps to designate two organizations as financiers of terrorism under United Nations Security Council Resolution 1267 (1999). These organizations are the Bosnia-based Vazir and the Liechtenstein-based Hochburg AG. Mr. Safet Durguti, a representative of the Vazir organization, has also been designated under the relevant United Nations Security Council Resolutions as a terrorist financier. This was the third joint action taken against terrorist financing by the United States Treasury Department and the Kingdom of Saudi Arabia.

In May 2003, the Saudi Arabian Monetary Agency (SAMA) distributed an update entitled "Rules Governing Anti-Money Laundering and Combating Terrorist Financing" to all banks and financial institutions in Saudi Arabia requiring the full and immediate implementation of nine new policies and procedures. The new regulations include:

All bank accounts of charitable or welfare societies must be consolidated into a single account for each such society. SAMA may give permission for a subsidiary account if necessary, but such an account can only be used to receive, not to withdraw or transfer, funds.

Deposits in these accounts will be accepted only after the depositor provides the bank with identification and all other required information for verification.

No ATM cards or credit cards can be issued for these accounts. No cash withdrawals are permitted from the charitable institution's account, and all checks and drafts are to be in favor of legitimate beneficiaries and for deposits in a bank account only.

No charitable or welfare society can open or operate these bank accounts without first presenting a valid copy of the required license.

No overseas fund transfers are allowed from these bank accounts.

SAMA's approval is required to open a bank account.

Only two individuals duly authorized by the Board of a charitable institution shall be allowed to operate the main account.

In May 2003, Saudi Arabia asked the Al-Haramain Islamic Foundation and all Saudi charities to suspend activities outside Saudi Arabia until mechanisms are in place to adequately monitor and control funds so they cannot be misdirected for illegal purposes.

Also in May 2003, SAMA instructed all banks and financial institutions in the Kingdom to stop all financial transfers by Saudi charities to any accounts outside the Kingdom.

On April 30, 2003, Ambassador Cofer Black, Coordinator for Counterterrorism stated: "We are pleased with the steps the Saudis are taking to ensure that all charitable donations by Saudis reach their intended good works and that no funds from Saudi Arabia are diverted by those who would use them for evil purposes."

In December 2002, a special Financial Intelligence Unit was established to track charitable giving to ensure that no funds reach evildoers.

In the summer of 2002, in another successful joint anti-terrorism action, the Kingdom of Saudi Arabia and the United States took steps to freeze the assets of a close bin Laden aide, Wa'el Hamza Julaidan, who is believed to have funneled money to al-Qaeda. Julaidan served as the director of the Rabita Trust and other organizations.

In March 2002, the U.S. Treasury Department and Saudi Arabia blocked the accounts of the Somalia and Bosnia branches of the Saudi Arabia-based Al-Haramain Islamic Foundation. While the Saudi headquarters for this private charity is dedicated to helping those in need, the United States and

Saudi Arabia determined that the Somalia and Bosnia branches supported terrorist activities and terrorist organizations such as al-Qaeda and AIAI (al-Itihaad al-Islamiya). In May 2003, Saudi Arabia asked the Al-Haramain Islamic Foundation and all Saudi charities to suspend activities outside Saudi Arabia until mechanisms are in place to adequately monitor and control funds so they cannot be misdirected for illegal purposes.

Saudi Arabia has established a High Commission for oversight of all charities, contributions and donations. In addition, it has established operational procedures to manage and audit contributions and donations to and from the charities, including their work abroad.

FREEZING SUSPECTED TERRORIST ASSETS, COMBATING MONEY LAUNDERING

In the wake of the events of September 11, the Kingdom of Saudi Arabia took prompt action on September 26, 2001 and required Saudi banks to identify and freeze all assets relating to terrorist suspects and entities per the list issued by the United States government on September 23, 2001. Saudi banks have complied with the freeze requirements and have initiated investigations of transactions that suspects linked to Al-Qaeda may have undertaken in the past.

Specific actions

In August 2003, the Council of Ministers approved new legislation that puts in place harsh penalties for the crime of money laundering and terror financing. This legislation stipulates jail sentences of up to 15 years and fines up to \$1.8 million for offenders.

The new law: Bans financial transactions with unidentified parties; requires banks to maintain records of transactions for up to 10 years; establishes intelligence units to investigate suspicious transactions; and sets up international cooperation on money-laundering issues with countries with which formal agreements have been signed.

In February 2003, the Saudi Arabian Monetary Agency (SAMA) began to implement a major technical program to train judges and investigators on legal matters involving terrorism financing and money-laundering methods, international requirements for financial secrecy, and methods followed by criminals to exchange information.

Saudi Arabia was one of the first countries to take action against terrorist financing, freezing the assets of Osama bin Laden in 1994.

Saudi Arabia has investigated many bank accounts suspected of having links to terrorism and has frozen more than 40 accounts.

Saudi Arabia, as a member of the G-20, approved an aggressive plan of action directed at the rooting out and freezing of terrorist assets worldwide. Saudi Arabia is proud to have been a leader in the development of this plan and its implementation, and of key objectives for U.S. and international policies for dealing with terrorism now and in the future.

SAMA instructed Saudi banks to promptly establish a supervisory committee to closely monitor the threat posed by terrorism and to coordinate all efforts to freeze the assets of the identified individuals and entities. The committee is composed of senior bank officers who are in charge of risk control, auditing, money-laundering units, legal affairs, and operations. The committee meets regularly in the presence of SAMA officials.

Saudi banks have put in place, at the level of their Chief Executive Officers, as well as at the level of a supervisory committee, mechanisms to respond to all relevant inquiries, both domestic and international. To ensure proper coordination and effective response, all Saudi banks route their responses and relevant information via SAMA.

A Special Committee was established drawing from the Ministry of Interior, Ministry of Foreign Affairs, the Intelligence Agency and SAMA to handle requests from international bodies and countries with regard to combating terrorist financing.

Even before September 11, Saudi Arabia had taken steps to ensure that its financial system is not used for illegal activities. In 1988 the Kingdom signed and joined the United Nations Convention against Illicit Trafficking of Narcotics and Psychotropic Substances. In 1995, Saudi Arabia established units countering money laundering at the Ministry of Interior, in SAMA and in the commercial banks.

LEGAL AND REGULATORY ACTIONS TO COMBAT TERRORISM

The Kingdom has a strong legislative, regulatory and supervisory framework for banking and financial services. This infrastructure ensures that each bank or other financial service provider remains vigilant and also has strong internal controls, processes and procedures to not only know the identity of its customers but also have awareness of their activities and transactions. Money-laundering and other suspicious activities are targeted and all those found violating laws and regulations are subject to severe financial penalties and imprisonment. Money-laundering crimes are high-profile crimes and all cases are referred to a senior court.

Specific actions

SAMA and the Ministry of Commerce issued instructions and guidelines to the Kingdom's financial and commercial sectors for combating money-laundering activities. To further strengthen and implement the current regulations, the Ministry of Commerce issued Regulation # 1312 aimed at preventing and combating money laundering in the non-financial sector. These regulations are aimed at manufacturing and trading sectors and also cover professional services such as accounting, legal affairs, and consultancy.

The Saudi Government has taken concrete steps to create an institutional framework for combating money laundering. This includes the establishment of units to counter money laundering, with trained and dedicated specialist staff. These units work with SAMA and law enforcement agencies. The government has also encouraged banks to bring money-laundering-related experiences to the notice of various bank committees (such as Fraud Committees, and those of Chief Operations Officers and Managing Directors) for exchange of information and joint action.

Saudi banks and SAMA have implemented an online reporting system to identify trends in money-laundering activities to assist in policy-making and other initiatives.

In May 2003, SAMA issued instructions to all Saudi financial institutions to strictly implement 40 recommendations of the FATF regarding money laundering and the eight recommendations regarding terror financing. Furthermore, SAMA issued instructions to all Saudi financial institutions prohibiting the transfer of any funds by charitable organizations outside the Kingdom.

Another major institutional initiative is the creation of a specialized Financial Intelligence Unit (FIU) in the Security and Drug Control Department of the Ministry of Interior. This unit is specially tasked with handling money-laundering cases. A communication channel between the Ministry of Interior and SAMA on matters involving terrorist-financing activities has also been established.

In May 2002, SAMA issued rules "Governing the Opening of Bank Accounts" and "General Operational Guidelines" in order to protect banks against money-laundering ac-

tivities. For instance, Saudi banks are not permitted to open bank accounts for non resident individuals without specific approval from SAMA. Banks are required to apply strict "Know your Customer" rules and any non-customer business has to be fully documented.

Saudi Arabia carries out regular inspections of banks to ensure compliance with laws and regulations. Any violation or non-compliance is cause for serious action and is referred to a bank's senior management and the Board. Furthermore, the Government has created a permanent committee of banks' compliance officers to review regulations and guidelines and recommend improvements, and to ensure that all implementation issues are resolved.

Saudi authorities have made significant efforts to train staff in financial institutions and others involved in compliance and law as well as those in the Security and Investigation departments of the Ministry of Interior.

Special training programs have been developed for bankers, prosecutors, judges, customs officers and other officials from government departments and agencies. Furthermore, training programs are offered by the Nayef Arab University for Security Sciences (formerly the Nayef Arab Academy for Security Sciences), the King Fahd Security Faculty, Public Security Training City, and SAMA.

The Saudi government has established a permanent committee of representatives of seven ministries and government agencies to manage all legal and other issues related to money-laundering activities.

In 1995, SAMA issued "Guidelines for Prevention and Control of Money-Laundering Activities" to Saudi Banks to implement "Know your Customer" rules, maintain records of suspicious transactions, and report them to law enforcement officials and SAMA.

The first conference for FATF outside the G-7 countries was held in Riyadh at the SAMA Institute of Banking in 1994.

OTHER INITIATIVES RELATED TO FIGHTING TERRORISM

Saudi Arabia has publicly supported and extended cooperation to various international efforts to combat terrorism. These include:

In January 2004, while in Tunis for the 21st session of the Arab Interior Ministers' Council, Minister of Interior Prince Nayef bin Abdulaziz called for better coordination of counterterrorism efforts throughout the Arab world, declaring: "It is painful to have some of our sons as tools of terrorism, but with the joint efforts by our scholars, intellectuals and mass media, we can confront this matter and purify our Islamic and Arab thought from all blemishes."

Saudi Arabia has signed a multilateral agreement under the auspices of the Arab League to fight terrorism.

Saudi Arabia participates regularly and effectively in G-20 meetings and the Kingdom has signed various bilateral agreements with non-Arab countries.

Every 90 days, Saudi Arabia prepares and submits to the UN Security Council Committees upon their request, a report on the initiatives and actions taken by the Kingdom with respect to the fight against terrorism.

The Kingdom has supported the following requirements of various UN resolutions related to combating terrorism:

Freezing funds and other financial assets of the Taliban regime based on UN Security Council Resolution 1267.

Freezing funds of listed individuals based on UN Security Council Resolution 1333.

Signing the International Convention for Suppression and Financing of Terrorism

based on UN Security Council Resolution 1373.

Reporting to the UN Security Council the implementation of Resolution 1390.

Saudi Arabia has given support to and implemented Resolution No. 1368 dated September 12, 2001 related to the financing of terrorist activities.

PUBLIC STATEMENTS BY SENIOR SAUDI OFFICIALS CONDEMNING EXTREMISM AND PROMOTING MODERATION

PUBLIC STATEMENTS PROMOTING MODERATION

The Qur'an, the Islamic religion and the Kingdom of Saudi Arabia reject and condemn all forms of religious extremism that lead to violence, terrorism and the taking of innocent lives. Islam teaches peace, understanding and tolerance, not violence or hatred. The Kingdom of Saudi Arabia is steadfast in believing that those resorting to violence and extremism are deviants and criminals who must face the full consequences of their actions. Following are some of the public statements made by leading officials and religious leaders in this regard.

"I believe that no society is immune from deviants and extremists. This situation exists in every country, in every society and in every faith. These individuals do not represent their societies. They do not represent the prevailing thinking of a society."—Crown Prince Abdullah bin Abdulaziz, Deputy Prime Minister and Commander of the National Guard, January 12, 2003.

STATEMENTS MADE BY GOVERNMENT OFFICIALS AND RELIGIOUS LEADERS

Custodian of the Two Holy Mosques King Fahd bin Abdulaziz today received senior officials of the Ministry of Education and advised all those involved in education to adhere to the Islamic faith and help the new generation distance themselves from deviant groups and evildoers.—Saudi Press Agency, September 5, 2004.

In his Friday sermon at the Grand Mosque in Makkah, Imam Shaikh Saud Al-Sheraim stressed the need for Muslims to seek advice in searching for the truth, and to embrace cooperation and reconciliation. The killing and terrorizing of the innocent that is taking place in Muslim countries, he stated, is something evil and a sign of great danger, saying: "Such acts must never be ignored or justified but confronted and stopped by all available means."—Shaikh Saud Al-Sheraim, imam at the Grand Mosque in Makkah, July 9, 2004.

"We will not allow a wicked group driven by a deviant ideology to destabilize the Kingdom's security."—Custodian of the Two Holy Mosques King Fahd bin Abdulaziz, June 20, 2004.

Deputy Prime Minister and Commander of the National Guard Crown Prince Abdullah bin Abdulaziz today received citizens expressing condemnation of terrorist acts. Crown Prince Abdullah, thanking them for their stance, urged all citizens to report abnormal behavior to the security authorities. He confirmed that leaders of the deviant group had been killed, and called on others involved to turn themselves in before they are annihilated, declaring that they are followers of Satan and enemies of religion and their country.—Saudi Press Agency, June 19, 2004.

"It is with great sadness and pain that we announce the death of Paul Marshall Johnson, Jr. . . . Today, we are faced with the tragedy of his gruesome death at the hands of barbarians who have rejected the teachings of their faith and the principles of humanity. His brutal murder illustrates the cruelty and inhumanity of the enemy we all are fighting."—Foreign Affairs Advisor to

the Crown Prince, Adel Al-Jubeir, June 18, 2004.

Shaikh Dr. Salih bin Abdullah bin Humaid, imam at the Grand Mosque in Makkah, spoke out against terrorism at Friday prayer today, reiterating that any terrorist act is criminal and contrary to religion. The recent criminal acts in the Kingdom, he said, have targeted Muslims who thought themselves safe as well as non-Muslims who are under protection through agreements with Muslims. The perpetrators of these acts, members of a deviant group, have killed and intimidated people, destroyed property, and wreaked havoc on earth; and therefore they will surely be punished in hell in the hereafter.—Saudi Press Agency, June 18, 2004.

"Saudi Arabia does not condone extremism and does not take part in it. It is true that we support people who seem to us to be good Muslims. But they are not extremists . . . Young Saudis who commit these crimes are influenced by bad ideas. Intellectuals must explain to them what is true and what is false."—Minister of the Interior, Prince Nayef bin Abdulaziz Al-Saud, June 17, 2004.

The Council of Call and Guidance, in its meeting yesterday, condemned the explosion [at the General Department of Traffic in Riyadh on April 21, 2004], and urged confrontation of the deviant ideas that lead to such criminal acts. The Council, which comprises representatives from various areas of jurisprudence including the Islamic Affairs Ministry, the Presidency of the Two Holy Mosques, and the Islamic universities, called for fortifying young people against destructive ideas that run counter to the teachings of Islam.—Saudi Press Agency, April 26, 2004.

"We strongly warn you against heeding misleading edicts that promote extremism . . . Nobody will approve such a horrendous crime. It is a prohibited, nefarious, terrorist act . . . See how much damage these deviants have done to the image of Islam, the religion of peace."—Shaikh Abdul Rahman Al-Sadaish, imam at the Grand Mosque in Makkah, April 23, 2004.

"These people want to disrupt security, horrify people who consider themselves safe, and kill Muslims. It is forbidden to cover up for such sinful people and whoever does so, will be their partner in the crime . . . It is also forbidden to justify the acts of these criminals . . . You have to be vigilant and have strong will in defending the religion and the Muslim country against these people."—Shaikh Abdulaziz Al-Ashaikh, Grand Mufti, Chairman of the Council of Senior Religious Scholars, April 22, 2004.

Interior Minister Prince Nayef bin Abdulaziz today reiterated that such acts of terrorism do not have anything to do with Islam, and appealed to those who are contemplating them to come to their senses and surrender, because they will be caught, and the resolve of the security forces has only deepened.—Saudi Press Agency, April 21, 2004.

"It is not lawful to protect these deviants and all of us should denounce them."—Shaikh Saleh bin Humaid, imam at the Grand Mosque in Makkah, April 17, 2004.

"Terrorism is a strange phenomenon in a country like the Kingdom of Saudi Arabia, which has been unwaveringly implementing the Islamic Shariah . . . The Ulama (Muslim scholars) do oppose terrorism, and believe in the importance of obedience of rulers . . . The terror acts which earlier took place in Makkah, Madinah, and Riyadh run counter to the teachings of Islam."—Shaikh Abdulaziz Al-Ashaikh, Grand Mufti, Chairman of the Council of Senior Religious Scholars, January 27, 2004.

Shaikh Abdul Rahman Al-Sudaish, imam at the Grand Mosque in Makkah, today denounced plans by militants to destabilize the

Kingdom and undermine its security. "They have violated the sanctity of time and place and committed terrorism, violence, bombings, crime and corruption." Shaikh Al-Sudaish also advised the faithful to make use of Ramadan to win God's forgiveness and mercy. He stressed the need to teach moderation to the youth. "This is the joint duty of mosque, family, school, university and the media," he explained.—Arab News, November 8, 2003.

"Our youth must be inoculated against alien ideas. Families, schools and mosques as well as the country's ulama and intellectuals and the media and every sincere person must contribute to this effort in order to expose alien thoughts and show the truth."—Crown Prince Abdullah, June 30, 2003.

"These misguided groups, whose members' minds have been possessed by the devil, will be punished and defeated, God willing, along with those who support them."—Crown Prince Abdullah, June 22, 2003.

"Terrorism has nothing to do with Islam . . . Islam should not be blamed for acts of other people. People should be held responsible individually for their own acts."—Shaikh Abdulaziz Al-Ashaikh, Grand Mufti, Chairman of the Council of Senior Religious Scholars, May 24, 2003.

"We have entrusted a committee of experienced and knowledgeable people to propagate the moderate views of Islam."—Crown Prince Abdullah, May 21, 2003.

"We will not remain idle and watch certain religious figures who instigate violence by issuing edicts branding certain people as 'infidels'."—Minister of the Interior, Prince Nayef bin Abdulaziz Al-Saud, May 15, 2003.

"Whoever did this will regret it because they have galvanized this country's determination to extract this cancer (terrorism) and ensure that it doesn't return . . . they have turned this country into one fist aimed at putting an end to this heinous wound in the body of this nation so that it won't return."—Minister of Foreign Affairs, Prince Saud Al-Faisal, May 14, 2003.

"Our schools and our faith teach peace and tolerance . . . There is no room in our schools for hatred, for intolerance or for anti-western thinking. We are working very hard to build a world-class educational system which will help our children be prepared to make substantial contributions to the global society."—Minister of Foreign Affairs, Prince Saud Al-Faisal, December 9, 2002.

"Islam is a religion of compassion, forgiveness and goodness . . ."—Shaikh Saleh Al-Luheidan, Chairman of the Supreme Judicial Council, November 6, 2002.

"Islam, as you know, does not advocate terrorism; and the hurting or killing of human beings is not acceptable by anyone whether he is a Muslim or not."—Crown Prince Abdullah, March 23, 2002.

"Any attack on innocent people is unlawful and contrary to Shariah."—Shaikh Muhammad bin Abdullah Al-Subail, imam at the Grand Mosque of Makkah, December 4, 2001.

"The recent developments in the United States constitute a form of injustice that is not tolerated by Islam, which views them as gross crimes and sinful acts."—Shaikh Abdulaziz Al-Ashaikh, Grand Mufti, Chairman of the Council of Senior Religious Scholars, September 15, 2001.

"As a human community we must be vigilant and careful to oppose these pernicious and shameless evils, which are not justified by any sane logic, nor by the religion of Islam."—Shaikh Saleh Al-Luheidan, Chairman of the Supreme Judicial Council, September 14, 2001.

[Press Release, June 15, 2004]

SAUDI RELIGIOUS SCHOLARS PROMOTE INTER-FAITH PEACE AND CONDEMN TERRORIST ACTS

Both abroad and at home, Saudi religious scholars are condemning acts of terrorism and promoting the Islamic principles of peace and tolerance.

At an Embassy press conference in London, U.K., Minister of Islamic Affairs Shaikh Salih bin Abdulaziz Al-As-Shaikh stated that Saudi Arabia has achieved a great deal of success in combating terrorism, with many perpetrators killed or arrested. The Kingdom, he said, enjoys political, economic and social stability in spite of the terrorist incidents that have recently occurred. Islam, he reiterated, is a religion of love and tolerance that calls for dialogue with others.

Shaikh Abdulrahman Al-Sudaish, one of the imams at the Grand Mosque in Makkah, led Friday prayers on June 11 with over 55,000 worshippers gathered in and around the East London Mosque. Calling for interfaith peace and harmony, he urged Muslims to be united in setting an example of "the true image of Islam" in their interactions with other communities. "The history of Islam," he declared, "is the best testament to how different communities can live together in peace and harmony."

In Saudi Arabia, a number of well-known Muslim scholars issued a statement on June 13 strongly condemning the recent incidents that led to the killing of people and the damaging of property as outrageous crimes forbidden by the Islamic religion.

According to Ambassador to the United States Prince Bandar bin Sultan: "Senior religious scholars in Saudi Arabia have continually and unequivocally condemned terrorism. In our war against terrorism, these condemnations are a powerful weapon."

[Press Release, Apr. 28, 2004]

SAUDI FOREIGN MINISTER ON ROLE OF RELIGIOUS ESTABLISHMENT IN WAR AGAINST AL-QAEDA

At the Council on Foreign Relations (CFR) in New York yesterday, Saudi Arabia's Minister of Foreign Affairs Prince Saud Al-Faisal explained that, contrary to accusations by the Kingdom's critics, the religious establishment is a critical asset in the nation's war against Al-Qaeda. During the CFR conference entitled 'The United States and Saudi Arabia: A Relationship Threatened By Misconceptions', Prince Saud stated: "It is the religious establishment in Saudi Arabia that in fact is proving to be the body most qualified to de-legitimize Al-Qaeda's claims, the very religious community that is being attacked and discredited."

According to Prince Saud Al-Faisal: "The insular extremism of Saudi Arabia's arch-conservatives is being used as evidence for not only the sympathy, but also the collaboration of Saudi Arabia and its society with Al-Qaeda's aims and objectives. Nothing is further from the truth, as evidenced by the war being waged relentlessly against Al-Qaeda in Saudi Arabia, and the support that the society is giving the government's efforts to rid the country of these evildoers."

Prince Saud Al-Faisal also explained that attacks on Saudi Arabia and its religious establishment "will undermine the country that is waging total war against them [Al-Qaeda], and that is probably the country most capable of preventing them from spreading their cultist ideology in the Islamic world."

On April 22, the day after the recent bombing in Riyadh, Shaikh Abdulaziz Al-Ashaikh, the Grand Mufti of Saudi Arabia and Chairman of the Council of Senior Religious Scholars, issued a statement calling the incident a "forbidden and sinful act". The statement continued: "It is also forbidden to justify the acts of these criminals." Shaikh

Abdulaziz Al-Ashaikh also stated: "You have to be vigilant and have strong will in defending the religion and the Muslim country against these people."

[Press Release, Feb. 2, 2004]

KING AND CROWN PRINCE ADDRESS PILGRIMS—STATEMENT CONDEMNS TERRORISM AND PROMOTES TOLERANCE

The Custodian of the Two Holy Mosques King Fahd bin Abdulaziz and Crown Prince Abdullah bin Abdulaziz, Deputy Prime Minister and Commander of the National Guard, issued a joint statement from Mina on the occasion of Eid Al-Adha, addressing Muslims everywhere as well as the two million pilgrims gathered for Hajj. The statement, read on their behalf on Saudi television, unequivocally denounced terrorism and called for global cooperation in the war against it. The following are highlights from the statement:

"The entire world, including the Kingdom of Saudi Arabia, has been harmed by many acts of terror intended to undermine stability, and spread fear and evil. Some of these events have been perpetrated by individuals unfortunately claiming to be Muslims. It is necessary to clarify the position of Islam concerning these events and their perpetrators. These acts, and those who carry them out, are deviant. It is important to oppose them. These acts are a function of false ideas, contrived by individuals who have strayed from the truth, and contradict the teachings of religion."

"The Kingdom opposes all forms of terrorism, and is fighting it locally and condemning it internationally, and is working to uproot it and expose its negative impact on society."

"The Kingdom urges the international community to vigorously confront the menace of terrorism, and supports all peace-loving countries in fighting and uprooting it. A comprehensive plan for combating terrorism by all countries must be implemented so that terrorists will not be allowed to conduct their subversive activities from any territory."

"Islam is a noble faith. It does not tolerate hatred and malice."

[Press Release, Feb. 2, 2004]

SAUDI ARABIA'S TOP CLERIC URGES MUSLIMS TO REJECT TERRORISM

Shaikh Abdulaziz Al-Ashaikh, the Grand Mufti of Saudi Arabia and Chairman of the Council of Senior Religious Scholars, delivered a sermon to almost two million pilgrims at the peak of the Hajj. As Saudi Arabia's highest religious authority, he used this important occasion to denounce terrorism and those who perpetrate it in the name of religion.

During his sermon he highlighted the importance of educating others about Islam, so that terrorists will not be able to claim that their reprehensible actions have anything to do with the true faith: "You must know Islam's firm position against all these terrible crimes. The world must know that Islam is a religion of peace and mercy and goodness; it is a religion of justice and guidance . . . Islam has forbidden violence in all its forms. It forbids the hijacking airplanes, ships and other means of transport, and it forbids all acts that undermine the security of the innocent."

[Press Release, Jan. 28, 2004]

SAUDI ARABIA'S LEADING RELIGIOUS AUTHORITY CONDEMNS TERRORISM

Shaikh Abdulaziz Al-Ashaikh, Saudi Arabia's Grand Mufti and Chairman of the Council of Senior Religious Scholars, reaffirmed that Islam does not tolerate bloodshed and absolutely prohibits acts of terrorism against Muslims and non-Muslims.

During a lecture in Makkah, Shaikh Al-Ashaikh warned his listeners of the destabilizing effect that terrorism can have on society. Acknowledging that terrorism results from deviant ideas, Shaikh Al-Ashaikh emphasized the importance of educating and protecting the younger generation from such misguided thoughts. He remarked that terrorism is an aberration in a country like the Kingdom of Saudi Arabia, because the country lives under Islamic law which forbids violence and terrorism. Shaikh Al-Ashaikh added: "The terror acts which earlier took place in Makkah, Madinah and Riyadh run counter to the teachings of Islam."

Shaikh Al-Ashaikh has always taken a strong stand against extremism, warning Muslims that extremism and fanaticism lead only to violence and the death of innocent people. "Islam is not a religion of violence. It is a religion of mercy for everyone," stated Shaikh Al-Ashaikh.

[Press Release, Jan. 8, 2004]

CROWN PRINCE PROMOTES NATIONAL DIALOGUE TO COUNTER EXTREMISM

The King Abdulaziz Center for National Dialogue recently concluded its Second National Forum for Intellectual Dialogue. The forum was entitled 'Extremism and Moderation: A Comprehensive Approach'. Some 60 participants, both men and women, discussed fifteen academic papers prepared by researchers on topics such as "Characteristics of the Extremist Personality" and "The Relationship Between Ruler and Ruled, Rights and Duties of Citizens and Their Relationship with Extremism."

Deputy Prime Minister and Commander of the National Guard Crown Prince Abdullah emphasized the importance of dialogue when he stated: "I have no doubt that the establishment of the Center and the continuation of dialogue within its boundaries will become a historic achievement that contributes to the creation of a channel for objective expression that would have an effective impact in combating extremism and fostering a pure atmosphere that could give birth to wise positions and illuminating ideas that reject terrorism and terrorist thought."

Following the event, Crown Prince Abdullah hosted a reception on January 3 in honor of the participants, where he stressed the importance of tolerance and moderation in both public and private lives, stating: "Islam advocates moderation." Crown Prince Abdullah has repeatedly emphasized the need to address the underlying causes of terrorism. He has stated: "The bullets that kill women and children, terrorize those secure in their safety, and destroy innocent communities, come not only from rifles, but from deviant thoughts and misguided interpretations of our great religion and its noble message." One of the goals of the Kingdom's initiative to promote open dialogue and national debate is the ultimate rejection of extremist ideology.

[Press Release, Nov. 25, 2003]

KING FAHD, CROWN PRINCE ABDULLAH CALL ON MUSLIMS TO UNITE AGAINST TERROR, COMBAT ROOTS OF EXTREMISM

The Custodian of the Two Holy Mosques King Fahd bin Abdulaziz and Crown Prince Abdullah bin Abdulaziz, Deputy Prime Minister and Commander of the National Guard, in a joint statement issued today, congratulated Muslims on the occasion of the blessed Eid Al-Fitr, and called upon them to "work for the stability and security of Islamic countries and the whole world and overcome the obstacles to world peace."

King Fahd and Crown Prince Abdullah said that the recent bombings in Riyadh had nothing to do with Islam and that Muslims

should "work together to combat the roots of extremism." In their message, they stated: "We must intensify our efforts and stand united to rectify defects and distortions, correct erroneous understanding and lead delinquents to the right path."

King Fahd and Crown Prince Abdullah also said that "a true Muslim does not spread corruption nor does he seek destruction," and urged Muslims to follow the Prophet Muhammad (peace be upon him) who was an example of tolerance and mercy.

[Press Release, Sept. 4, 2003]

KING FAHD ADDRESSES ROLE OF MOSQUE IN ISLAM AND CONDEMNS EXTREMISM

The Custodian of the Two Holy Mosques King Fahd bin Abdulaziz, in a message to the nineteenth session of the World Supreme Council for Mosques August 30, emphasized the important mission of the mosque in Islam, which is to promote peace, tolerance, moderation and wisdom. King Fahd added that fulfillment of this mission will help show the youth the correct path of Islam, distancing them from grievance, aggression and evil.

King Fahd condemned all forms of terrorism and warned that terror networks were using misguided Muslim youths to further their cause. King Fahd added: "By playing into the hands of terror networks, these youths have tarnished the image of Islam and Muslims."

[Press Release, Aug. 21, 2003]

SAUDI ARABIA'S HIGHEST RELIGIOUS AUTHORITY WARNS AGAINST THE DANGERS OF EXTREMISM

Shaikh Abdulaziz Al-Ashaikh, the Grand Mufti of Saudi Arabia and Chairman of the Council of Senior Ulema [religious scholars], issued a statement today warning Muslims that extremism and fanaticism lead only to violence and the death of innocent people. Shaikh Al-Ashaikh emphasized that "Muslims must understand that the path of reform never comes through violence. Islam is not a religion of violence. It is a religion of mercy for everyone."

Shaikh Al-Ashaikh stated: "One of the fall-outs from extremism in understanding Islam is that some people call for jihad for the sake of God without justification. These people, who call for jihad, want to raise the banner of jihad to draw the youth into their ranks, and not to fight for the Almighty God."

Saudi Arabia's religious leaders have repeatedly and unequivocally condemned terrorism in all its forms. Following the Riyadh bombings on May 12, Shaikh Al-Ashaikh stated: "Terrorism has nothing to do with Islam . . . Islam should not be blamed for the acts of other people. People should be held responsible individually for their own acts."

[Press Release (Excerpts), May 20, 2003]

KING FAHD VOWS TO EXPAND REFORMS

No tolerance for terrorism

In an address to the Consultative Council, King Fahd bin Abdulaziz pledged to expand the breadth and pace of reform in the country and affirmed the government's resolve to crack down on terrorism.

"The people of Saudi Arabia oppose all forms of terrorism, and will never allow any faction of deviant terrorists to harm the country and undermine the safety of its citizens and residents. We will not allow any deviant ideology that encourages and feeds terrorism", said King Fahd. "This nation is determined to eradicate all forms of terrorism."

The King also emphasized that public education is critical to religious moderation, tolerance and the peaceful teaching of Islam. The King called upon religious leaders to promote social harmony and unity.

In King Fahd's words: "It is the responsibility of our religious leaders to save our youth from the evil of destructive thoughts that propagate extremism and hatred and only result in devastation and ruin."

No one can ignore the seriousness of our move toward reform. And I say to every citizen that each one of us has a role and a responsibility in this endeavor. I say to each government official that public service is an honor, which has obligations to the public good, but does not convey any special privileges. I say to every businessman that our economy is not just a source of capital and profit, but it is an investment in national security and safety. I say to every woman that this nation is for all and you will be a partner in making its future. And I say to officials in education that they are shapers of future generations. Good education promotes character and instills values in the young for the benefit of this nation.

"And I say to every citizen that one of the most important obligations is to confront narrow mindedness, regionalism and social division. Confronting these ills is a requirement of our faith and contributes to national unity."

The world we live in is at a crossroads. We are part of this world and cannot be disconnected from it. We cannot be mere spectators while the rest of the world is progressing towards a new global system. This country is the heart of the Muslim World, and the cradle of Arab identity. Therefore, we should rise to the challenges and support each other in carrying out responsibilities and duties."

[Press Release, May 13, 2003]

ADDRESS TO THE NATION—CROWN PRINCE
ABDULLAH BIN ABDULAZIZ

In the name of God, most compassionate, most merciful

My fellow citizens:

May God's peace and blessing be upon you.

The tragic, bloody and painful events that took place in the heart of our dear capital, Riyadh, last night, in which innocent citizens and residents were killed or injured, prove once again that terrorists are criminals and murderers with total disregard for any Islamic and human values or decency. They are no different from vicious animals whose only concern is to shed blood and bring terror to those innocents under God's protection.

These tragic events should serve as a warning to the unwary, and should restore sanity to the deluded. The perpetrators are but a small group of deviants whose objective is to do harm to our society by doing damage to its security.

On the other hand, the whole Saudi nation, old and young, men and women, stand shoulder-to-shoulder in condemning this heinous act and expressing their rejection of those who perpetrated it. We will be steadfast in defending our homeland, the cradle of Islam, and the heart of the Arab world.

If these murderers believe that their criminal and bloody act will shake our nation or its unity, they are mistaken. And if they believe they can disrupt the security and tranquility of our nation, they are dreaming. This is because the Saudi people, who have embraced the Holy Book as their guide and the Shari'a as their way of life, and who have rallied behind their leaders, who in turn embraced them, will not permit a deviant few to shed the blood of the innocent which God Almighty, in His infinite wisdom and justice, has sanctified. The entire Saudi nation, and not just its valiant security forces, will not hesitate to confront the murderous criminals.

There can be no acceptance or justification for terrorism. Nor is there a place for any ideology which promotes it, or beliefs which

condone it. We specifically warn anyone who tries to justify these crimes in the name of religion. And we say that anyone who tries to do so will be considered a full partner to the terrorists and will share their fate. As revealed in the Holy Qur'an: "If a man kills a believer intentionally, his recompense is Hell, to abide therein (forever); and the wrath and the curse of God are upon him, and a dreadful penalty is prepared for him."

Further, as revealed in the Holy Qur'an, the taking of an innocent life is a crime against all of humanity. In the words of the Prophet (God's peace and mercy be upon him): "He who kills a resident living in peace among you, will never breathe the air of heaven."

These messages, which do not require any interpretation, provide clear evidence that the fate of those murderers is damnation on earth and the fury of Hell in the hereafter.

I vow to my fellow citizens and to the friends who reside among us, that the State will be vigilant about their security and well-being. Our nation is capable, by the Grace of God Almighty and the unity of its citizens, to confront and destroy the threat posed by a deviant few and those who endorse or support them. With the help of God Almighty, we shall prevail.

[Press Release, May 13, 2003]

PRINCE BANDAR'S STATEMENT ON THE
TERRORIST ATTACKS IN RIYADH

His Royal Highness Prince Bandar bin Sultan, Saudi Ambassador to the United States, issued the following statement on the terrorist attacks in Riyadh:

The terrorist attacks on Saudi Arabia May 12 are evil and unforgivable crimes. I send my deepest condolences on behalf of the people of Saudi Arabia to all of the American victims and their families and to the Saudi, European, Arab and Asian families. My government promises that we will not rest until, together, we hunt down these criminals and bring them to justice. And when we do, their punishment will be swift and severe.

No words can express our feelings for the loss of the innocent people who were murdered and injured. Those victims were Arabs, Americans, Europeans, and Asians. They were Muslims as well as Christians. The attack was an attack on humanity. We reject the terrorists who express their hatred for our people and our friends through such cowardly actions. These terrorists have turned their backs on our people and they have perverted our faith; they do not in any way represent Islam. They only represent hatred towards all of humanity. As a nation of peace, the Kingdom of Saudi Arabia will work to protect our citizens and our friends who live and work in our country, American, Arab, European, African or Asian, Muslim or non-Muslim; and we are determined to eradicate the terrorists who bring violence and hatred to the whole world, as Crown Prince Abdullah declared today.

The target of the Al-Qaeda terrorists is Saudi Arabia and the United States and the 70-year relationship that has benefited both our peoples; and at a time when we are working together to bring peace and stability to the people of the Middle East, their aim is to destroy our alliance through violence. But they will not succeed. We say to the people of the United States, as your friend and ally, you can rely on us to do our part as we have done in critical times in the past. We will continue to hunt down the criminals, we will continue to cut off their finances and we will bring them to justice.

On this day, grief and pain weigh on our hearts. I pray that God Almighty continues to give us the wisdom and courage that will lead our nations and the world into a new era of peace and prosperity for all mankind, of all faiths.

[Press Release, Feb. 13, 2003]

SAUDI KING AND CROWN PRINCE ADDRESS
MUSLIMS

Statement contains messages of peace, and stance on Iraq

The Custodian of the Two Holy Mosques, King Fahd bin Abdulaziz, and Crown Prince Abdullah bin Abdulaziz, Deputy Prime Minister and Commander of the National Guard, issued a statement Monday from the Holy Site of Mina on the occasion of Eid Al-Adha 2003, addressing the 2 million pilgrims gathered for Hajj and all Muslims everywhere.

The following are excerpts from the statement.

"... Islam is a religion of peace and tolerance, ease in the implementation of religious teachings, duties and rites; and tolerance in day-to-day dealings with people..."

"... The government of Saudi Arabia has condemned terror in all its forms. It took a leading role in urging the international community to challenge this sinister world phenomenon..."

"... In this world, the Muslim has a constructive role to play, and he should strive to prove that he is equal to the task. He should endeavor to promote the welfare of mankind and preserve the five necessities as is required by religion, namely: religion, mind, honor, self and property..."

"... The [Kingdom] set into motion the call to Islamic solidarity to bring Muslims together, overcome dissensions and eliminate their causes, promote all that may lead to harmony and eliminate all that may lead to misunderstanding..."

"... Towards this end the Kingdom of Saudi Arabia submitted a peace initiative to the 14th Arab Summit held in Beirut [in March 2002]. The Saudi initiative was adopted by the Summit and became an Arab peace plan with international support."

"Our attitude towards the Iraq situation and towards complete disarmament in the area of weapons of mass destruction is within the aforementioned principles. In fact it is an endeavor to put these principles into practice. We are doing all we can to spare Iraq and its people as well the entire region, the dangers and woes of war and its ramifications. We hope that the efforts being made to solve the crisis by peaceful means will be successful. Likewise we hope that reason will prevail and that constructive dialogue be given a chance to find a peaceful resolution."

"With regard to weapons of mass destruction, whether in this region or in any other part of the world, the Kingdom lends its full support to international efforts to eliminate such weapons irrespective of whether they are nuclear, chemical, or biological. The Kingdom calls on the international community to do all that is necessary to support all efforts required to eliminate weapons of mass destruction..."

[Press Release, Feb. 11, 2003]

SAUDI RELIGIOUS LEADERS FORBID ATTACKS ON
NON-MUSLIMS

Saudi Arabia's Council of Senior Ulema (Religious Scholars) has issued an edict condemning attacks and other violence against innocents. The edict also conveys that it is a crime to randomly judge people as "infidels" and target them for violence.

The Grand Mufti of Saudi Arabia and Chairman of the Council of Senior Ulema Shaikh Abdulaziz Al-Ashaikh said that this is a very serious matter as it relates to the shedding of innocent blood, the bombing of buildings, and the destruction of public and private installations. The edict issued by the Council on this matter is as follows:

"The acts of shedding the blood of innocent people, the bombing of buildings and ships, and the destruction of public and private installations are criminal acts and

against Islam. Those who carry out such acts have deviant beliefs and misguided ideologies and are to be held responsible for their crimes. Islam and Muslims should not be accountable for the actions of such people. Islamic Law clearly prohibits leveling such charges against non-Muslims, warns against following those who carry such deviant beliefs, and stresses that it is the duty of all Muslims all over the world to consult truthfully, share advice, and cooperate in piety and righteousness."

Violence against Westerners has not been an issue or problem in Saudi Arabia. However, the religious authorities took this step to reinforce the prohibition in Islam against all forms of violence.

[Press Release, Feb. 4, 2003]

STATEMENT REGARDING SAUDI EDUCATION SYSTEM

In 70 years, Saudi Arabia has formed a nationwide educational system that provides free education from preschool through university to all citizens. Today, there are eight universities, over 100 colleges and more than 26,000 schools. Some 5 million students are enrolled in the educational system, which boasts a student to teacher ratio of 12.5 to 1.0—one of the lowest in the world.

The Saudi government recently conducted an audit, which determined that about five percent of school textbooks and curriculum guides contained possibly offensive language. A program is now in place to eliminate such material from schools. Saudi Arabia's Crown Prince Abdullah recently urged a gathering in Riyadh of young people from around the world to shun extremism, saying: "Ours is a tolerant and temperate faith and we must conduct ourselves accordingly. There is no room for extremism or compulsion in Islam. In fact, it violates the tenets of our faith and the traditions of our Prophet."

The Crown Prince also told the gathering: "Wisdom and reason must guide your statements and actions; you must not let emotions sway you. It is your responsibility, when you return to your nations, to counsel people to employ wisdom, patience and reason in dealing with issues."

Foreign Minister Prince Saud Al-Faisal recently stated: "We are working very hard to build a world-class educational system which will help our children be prepared to make substantial contributions to the global society. Our schools and our faith teach peace and tolerance."

The Saudi commitment to its education system also includes approved budgets for the construction of 780 new schools as well as improvements to another 380 schools. Part of this funding will improve and equip a number of educational facilities, such as supplying schools with computers and laboratory equipment. The funding will also provide maintenance to existing schools.

[Press Release, Jan. 13, 2003]

SAUDI CROWN PRINCE CALLS FOR MODERATION AND TOLERANCE

At a gathering hosted at his home in Riyadh for distinguished visitors to the Al-Jenadriyah Festival, Crown Prince Abdullah called upon regional leaders to promote moderation and tolerance. He said that this was a time for deep thought and reflection, for tolerance and moderation, for honesty and sincerity. He urged scholars and intellectuals to exert their efforts toward bringing people together not dividing them.

"The scholar, the author, the thinker, the philosopher and the poet all must strive to bring humanity together", stated the Crown Prince. "I have faith in your ability to contribute to the greater good."

The Crown Prince also commented: "Reason, patience, moderation and kind words help bring people together."

He urged those assembled to reject extremism and intolerance.

[Press Release, Dec. 7, 2002]

MOSQUES NOT TO BE USED AS POLITICAL PLATFORMS

Official order sent to Imams and Khuttab

In an official letter to Saudi religious leaders, Shaikh Saleh Al-Ashaikh, Minister of Islamic Affairs, said restrictions have been put in place to prohibit unauthorized persons from making speeches at mosques. The order, distributed as part of a new program for the care of mosques and their workers, warned speakers at mosques against making provocative speeches and inciting people.

The letter said that mosques are meant only for prayer, guidance and other pious activities and should not be used as political platforms.

Al-Ashaikh warned speakers against misusing mosques to make provocative speeches or incite people or exploit mosques by reciting poems in praise of some misguided people. Violators of the order can be subject to severe punishment, including removal from office.

Al-Ashaikh also commended the efforts of the imams and khuttab in fulfilling their religious duties by leading people in prayers and providing advice and guidance. He also called upon the imams and khuttab to serve as models for others by spreading love and brotherhood.

EXCERPTS FROM A LETTER SENT BY CROWN PRINCE ABDULLAH TO PRESIDENT GEORGE W. BUSH ON SEPTEMBER 10, 2002

"... terrorism has no religion or nationality it is pure evil, condemned and abhorred by all religions and cultures.

"We in Saudi Arabia felt an especially great pain at the realization that a number of young Saudi citizens had been enticed and deluded and their reasoning subverted to the degree of denying the tolerance that their religion embraced, and turning their backs on their homeland, which has always stood for understanding and moderation. They allowed themselves to be used as a tool to do great damage to Islam, a religion they espoused, and to all Muslims. They also aimed at causing considerable harm to the historic and strong relationship between the American people and the people of Saudi Arabia. I would like to make it clear that true Muslims all over the world will never allow a minority of deviant extremists to speak in the name of Islam and distort its spirit of tolerance. Your friends in the Kingdom of Saudi Arabia denounced and condemned the September 11 attacks as strongly as did the American people.

"... nothing can ever justify the shedding of innocent blood or the taking of lives and the terrorizing of people, regardless of whatever cause or motive. Therefore, we do not simply reiterate sincere and true condolences to the relatives of the victims, but assure all of our continued will and determination to do our utmost to combat this malignant evil and uproot it from our world."

One of the things I hear within my own press here in the United States, why are not more of the Muslim Nations speaking out against terrorism. Well, Mr. Speaker, here is a book full of it. Who are these people? The king and crown prince address the Nation; Saudi Arabia's top clerics urge Muslims to reject terrorism; Saudi Arabia's leading religious authorities condemn terrorism in public statements; King Fahd, Crown Prince Abdallah call on Muslims to unite against terror, combat roots of extremism; Crown Prince

Abdallah Aziz statements against terrorism; and the entire Cabinet and Shura Council statements on combating terrorism and rejecting it. The key I think in here is the top leading Muslim leaders within their religious contract purport and talk about the negligence of terrorism itself.

Mr. Speaker, the dialogue is so key and the things that we do. I have an article here. I want to talk about peace in the Middle East and a little bit of how I see that we are going to purport, though this is a one man's opinion and I wish it had been my vision, but greater men with greater visions purported this. It has already passed by the United Nations. It was accepted by the United States. It was supported by the Arab League, and it was supported by Crown Prince Abdallah Aziz.

This article recently in, I believe it is the New York Times, talks about a Sharon's plan to reunite the Gaza and the West Bank, primarily the Gaza in this article.

[From the New York Times, Sept. 13, 2004]

ISRAELIS PROTEST SHARON'S PLAN TO OUST JEWS FROM GAZA

(By Greg Myre)

JERUSALEM, Sept. 12.—Tens of thousands of right-wing Israelis packed the streets of central Jerusalem on Sunday night in the latest mass protest against Prime Minister Ariel Sharon's plan to withdraw Jewish settlers from the Gaza Strip.

The rally occurred just hours after Mr. Sharon said at a cabinet meeting that growing incitement by right-wing activists could lead to violence, or even civil war in Israel.

"We have witnessed in the past few days a very grave campaign of incitement, I would say, with calls that in essence are aimed at inciting a civil war," Mr. Sharon told his ministers in the first few minutes of the meeting, which was filmed by television crews. "I see this as very grave."

The demonstrators, meanwhile, filled Zion Square in a rally organized by settlers and their backers as part of their efforts to derail the plan to pull out of Gaza, tentatively set for next year.

"Sharon, what happened to you?" read one banner, referring to his decades of strong support for settlements. "The government of Sharon is a government of destruction," said another held by the protesters, many of them young settlers.

The prime minister has said he sees no future for Israelis in Gaza, and is willing to leave the territory while trying to strengthen Israel's hold on the much larger West Bank settlements.

Both developments reflect the mounting tension in Israel as Mr. Sharon prepares to proceed with the withdrawal plan, which has the backing of most Israelis, polls show. But the Gaza pullout faces strong opposition from the well-organized settlers, in addition to segments of Mr. Sharon's own Likud Party and some other traditional supporters.

In recent days, some right-wing settler activists have warned that government efforts to remove the 8,000 settlers from Gaza, which is home to 1.3 million Palestinians, could lead to open conflict among Israelis. Mr. Sharon urged his cabinet ministers to speak out against such threats, though a number of ministers are opposed to the withdrawal.

Zevulun Orlev, the social welfare minister and a critic of the Gaza pullout, said it was wrong of Mr. Sharon to blame the settlers for the tense political atmosphere.

"How did we get to a process of decision making that some say is tainted with illegitimacy?" Mr. Orlev told Israel radio. "The prime minister and the cabinet must do some soul searching."

Despite several opinion surveys showing solid public backing for a Gaza withdrawal, Likud Party members rejected the plan in May. But the ballot was nonbinding, and Mr. Sharon later secured a slim majority in his cabinet for the pullout. In recent weeks, Israeli authorities have said repeatedly that they fear an extremist could attack a political leader or a security official.

In 1995, Prime Minister Yitzhak Rabin was shot by a Jewish extremist opposed to his interim peace agreements with the Palestinians, which included handing over some land that Israel captured in 1967.

The Yesha Council, the main group representing settlers in the West Bank and Gaza, said it would use only lawful means to oppose the withdrawal. The group has organized several large protests in recent months, including the one on Sunday.

"We believe the disengagement plan is harmful to Israel, but we only support peaceful protests," said Josh Hasten, a council spokesman. "We are saddened by the prime minister's comments, which seem to depict an entire group in an unfavorable light."

The Palestinian leadership supports an Israeli withdrawal from Gaza but wants the pullout to be coordinated with the Palestinians, a demand Mr. Sharon has refused.

The Palestinians, who are seeking a state based on the lines that existed before the 1967 Arab-Israeli war, are also demanding a withdrawal of all West Bank settlers. The settler population has been growing at a rate of around 10,000 annually in recent years.

In another development on Sunday, a lawyer representing Israel told the High Court of Justice in Jerusalem that the state would re-examine parts of a West Bank separation barrier that has been constructed near Qalqilya, a Palestinian town, those present said.

The Association for Civil Rights in Israel filed the petition on behalf of Palestinian villagers who have been cut off from farmland and face other difficulties, said Yoav Loeff, a spokesman for the group. The judge gave the state 60 days to respond, Mr. Loeff said.

It will be the first time the state will re-examine a significant section of the barrier that has already been built, he said.

Also on Sunday, Israel charged six Egyptian students with plotting to kidnap and kill Israeli soldiers in an effort to support the Palestinians. The six, who were charged in Beersheba in southern Israel, had been arrested two weeks ago near the desert border, armed with knives, Reuters reported.

□ 2320

Mr. Speaker, I ask you, can we, as a world, as the United States, watch Israel and Palestine destroy each other increasingly day by day, more and more; as we watch Arafat and his direction of terrorism, and as we look at Israel on both sides, Israel and the Palestinians' loss of life, which affects us in the United States, and it affects the Arab nations, and it affects the world.

I believe the key to peace is one initiative that was supported by the Crown Prince before the Arab League. It basically reports resolutions 194, 242 and 338, which say, basically, that Israel should turn back the occupied lands prior to 1967.

Now, this is coming from a strong supporter of Israel. I flew in Israel in

the 1970s. I flew Mirage there. I have many Israeli friends and I have many Persian and Arab friends. But I believe that a strong, free Israel, an Israel that is not attacked daily, an Israel that does not have to kill its own neighbors to support itself is a much better world. If we implement those resolutions supported by the United Nations, supported by the Arab League, supported by the United States, supported by NATO, which never made it into power, it never made it into law, then we would have a much better Israel and a safer world.

Now, if Israel gave back the occupied territories, they would be attacked. But in this resolution the Arab League says any act or group or nation that attacks Israel, the Arab League will act to defend Israel itself. Would they be attacked? Absolutely. If you are a terrorist and there is peace, you are out of a job. You lose all the power that you have, the money, the support, and the ego. And just like in my home country of Ireland, you would have terrorists at will.

But just imagine, Mr. Speaker, if that happened and you had other nations, four dimension, that would come to the aid of Israel and make it stronger; and have within the borders itself and just outside the borders, the Arab nations, supporting Israel. Can you imagine a vision of world peace in the near future? I do not think we can the way it is going, Mr. Speaker.

Eight thousand settlers, of course, within Gaza oppose this. The majority, the majority of Israelis support this because they are tired of their families being murdered. Palestinians are tired of their families being killed and slaughtered on a daily basis. Most of the majority of Palestinians and Israelis, I believe, want peace.

At one time, Mr. Speaker, I would have told you that Arafat has to go, just like in former Yugoslavia Izetbegovic with the Muslims, Tudjman with the Croats, and Milosevic with the Serbs. They were too long in the tooth. They had too much bloody history behind them. I do not think there was ever any way for Yugoslavia to get itself out of the pit it was in, and I do not believe with Arafat there is a way to get out of that pit. At one time I thought Sharon had to go as well.

But as I spoke to the leadership in Saudi Arabia, they said, Duke, maybe the Prime Minister is the only person that can make this happen. Maybe he is the only person in Israel that can pull the Likud group together, along with the settlers, and turn back the occupied lands. I guess we will have to see, Mr. Speaker.

I want to talk now about the education system that has been changed in Saudi Arabia, to the benefit of the United States and to the citizens of Saudi Arabia itself, with the banks they have gone through. I also want to talk about the oil system. All the way back to the 1940s, for 60 years, Saudi Arabia has supported the United

States. Even in the 1970s, with the Arab oil embargo, Saudi shipped the United States oil during the Vietnam conflict to make sure our soldiers were safe. When we went in to Desert Storm, Saudi Arabia allowed us to operate out of their bases. During the current Afghan raids, Saudi Arabia allowed us to use their bases. And against Iraq, the same.

Put yourself in the position of Saudi Arabia, though, and you have a neighbor that is a wolf. If the United States fails in going into Iraq, or we pull out now, early, and all of those terrorists and extremists that want Iraq and Afghanistan and every state in the Middle East to espouse the Muslim extremist doctrine, it also puts the Saudis at risk as well.

So they do go slow sometimes; but I have to say that, with what they have done in support of the United States in their education system, in their banks, in information, and against terrorism, Mr. Speaker, we have an ally there. And the system that we need to take a look at right away, and which Colin Powell is working on, is the visa system itself.

Let me read just a few of these initiatives and actions taken by Saudi Arabia to combat terrorism.

They have arrested more than 600 individuals in these past few weeks. They have dismantled a number of al Qaeda cells. They have seized large quantities of arms caches and explosives. They have extradited suspects from other countries to be tried. They have established a joint task force with the United States in which our own Permanent Select Committee on Intelligence speaks with on a daily basis. There is international coordination between MI-5, Interpol, the United States and other nations. They have looked at the charitable organizations, and they have one now that goes through a filtering system that is audited by the U.S., by Australia, the British, and the Canadians. The legal and regulatory actions to combat terrorism have stepped up 100-fold, according to Colin Powell.

Mr. Speaker, I would like to submit for the RECORD these three books that go on to talk about some of the things that Saudi Arabia has done.

Mr. Speaker, I have seen on this House floor resolutions. And, frankly, quite often we here in this body think a simple nonbinding resolution does not get beyond the walls, or maybe just into a couple of households. But we had a resolution on this House floor, Mr. Speaker, that most of us voted for but had no idea the impact it would have. To Saudi Arabia and to the Saudi citizens it was a slap in the face.

□ 2330

Sometimes we learn slowly or are actually part of the problem, Mr. Speaker but we cannot continue to do that. If I was Osama bin Laden and I wanted to separate an ally from the United States, I would have done exactly the

same thing that he did. Because he is not just after the United States; he is after the Saudi Government itself. After all, they were the ones that kicked him out. Crown Prince Abdullah's peace plan, which many Israelis found hopeful. Why? Because it was introduced in a time of immense ill will between Arabs and Israelis, because Saudi Arabia was viewed as the least likely to ever agree to diplomatic relations with Israel. But instead we have a Crown Prince that is a visionary. He, in my opinion, is like President Sadat was to Egypt. The Crown Prince should be praised and applauded, not castigated for his efforts, which is consistent with the U.S. position and with United Nations resolutions, in particular resolution 194, 242 and 338.

TO CAST ASIDE A FRIEND

I had dinner with a Saudi businessman this summer and one of the first things he said to me was how very sorry the world and particularly Saudi Arabia were about the murderous events of September 11th. I can tell you that our grief was his grief. If possible, he felt as deeply about this crime and tragedy as we do. And he was extremely worried about derailment of the partnership and alliance that Saudi Arabia and the United States have enjoyed for the past 60 years, for the betterment of the free world.

There has been a firestorm of criticism against Saudi Arabia in the months since 9/11 and the relationship between the United States and the Saudis has been condemned and vilified. I told him that I believe Saudi Arabia remains a valuable ally. We have our differences, but any alliance will have its ups and downs over six decades.

What are the issues raised by the critics?

First, the detractors say that Saudi Arabia is an incubator of terrorism, simply because 15 of the 19 hijackers on 9/11 were Saudi citizens.

You may have a gang of tens, hundreds or even thousands of men in any single country, but that gang does not necessarily represent the mainstream.

Moreover, Osama bin Laden was targeting Saudi Arabia not just the United States, and more specifically, he was targeting the relationship between the two countries by using Saudi Arabians as hijackers on 9/11. After all, we know he could have used a dozen different nationalities. Bin Laden wants to bring down the Saudi regime, which condemned and expelled him years ago. He hates the Saudi government and classifies Saudi Arabia as non-Islamic, and he is particularly keen on exterminating the religious authorities inside the Kingdom. This is a similar goal as Saudi Arabia's American critics, who in fact are doing Bin Laden's work for him in a more efficient manner.

Second, the disparagers say that Saudi Arabia is an incubator of terrorism because its school system systematically teaches their kids to hate America and Western values. I am not an expert on the Saudi educational system, but I can tell you that this allegation is nonsense. For years, English language has been taught and Western gadgets used in schools starting at age 12 and soon the study of English will start at age 9 . . . Kingdom-wide. This would be a very very strange way

to promote the so-called anti-Westernism. So would the fact that the government sends thousands of students to study in the U.S. and Europe on full scholarships. In 2001 there were more than 5,000 in the U.S. alone and even more sent privately. This shows how ridiculous it is to allege that the Saudi government is determined to teach their kids to hate America.

Furthermore, the Saudi educational system has to be taken within the context of deeply rooted cultural and religious values cherished by around 1.4 billion Muslims around the world. But those values should be construed as being anti-Western or anti-American. Nor should we for a moment consider that every human being living on this globe should follow our way of life. Being the home of the holiest shrines of Islam, Saudi Arabia has a responsibility that deserves a better understanding. Aside from that, the Saudi educational system, just as elsewhere in the world, is subject to revisions on an on-going basis and has recently witnessed some changes as declared by Prince Saud Al-Faisal, the Foreign Minister.

Third, those criticizing the Kingdom say that it is an exporter of terrorism through its support of religious schools and mosques abroad. How hypocritical. It is very convenient for them to forget that the U.S. government eagerly encouraged the Saudis to donate schools and mosques in Pakistan to provide infrastructure for the fight against the Soviet Union in Afghanistan; and that the U.S. government was enthusiastic about the Saudi funded schools throughout the Muslim world in order to stem the tide of Ayatollah Khomeini's export of radicalism. As for controls over these contributions, it is obvious that mistakes were made. But there is plenty of blame for both parties, and the Secretary of the Treasury O'Neil has applauded the Saudi efforts to establish effective control.

There are a lot of American critics who seem to think that they can run Saudi society better than the Saudis. Let me say that if the concern is the anti-Israeli sentiment in the media or if the desire is more Saudi involvement in an action against Iraq, you will be sorely disappointed if either the press or the political process is thrown open. The Royal Family has balanced openness; progress and modernization on one hand with a deeply conservative, tribal and religious population on the other. Pressure from Washington will work against the progressive elements. They need to proceed at a sustainable pace . . . with our good-will and encouragement but not with our arrogant, condescending dictates. Much needs to be done and the leading Saudi reformers are the ones to do it.

On the other hand, if there is really a feeling amongst us that anger against us, rather than hate—to be precise, is sweeping the region, including Saudi Arabia where it is possibly the least pronounced, is it not worth our while to find out why? Many voices in the region at the official and public levels cite biased and heavy-handed American foreign policy, which is no secret. Let us address the situation, I emphasize, on the basis of an objective examination of our long-term and strategic interests.

Extremism is by and large a cause/effect phenomenon and the cause could be anywhere from religious, political, economic, societal factors and grievances to a combination of one or more of these elements. It cannot be attributed solely to an educational system.

Why don't we try to scratch deeper than the surface. I think we do have the magnanimity to conduct a soul-searching exercise to determine how and where our policies might have gone awry; this could be a highly beneficial exercise.

Let me say that the Royal Family has worked very very hard to modernize their country and to do so in a way that accommodates the United States. Radical Islam is a product of the rejection of modernization and this is why Osama bin Laden and his cohorts want to destroy the Royal Family. I do not think we should be in the business of promoting Bin Laden's agenda for any reason, much less to the direct and immediate detriment of ourselves and our friends. In fact, because Saudi Arabia is at the center of Islam and Arab World, never in our history have we been in greater need for their alliance.

Since we have touched upon the subject of modernization, let's ask the question: has the Saudi government used its oil wealth wisely towards that end?

The government has proven time and time again to be an effective instrument of progress in such a conservative society. In fact, one could make a strong case that the most effective method of modernization in such a strongly tribal, nomadic and deeply conservative culture was the one that evolved in Saudi Arabia.

Let me not leave you with the impression that I believe the Saudi government and Royal family are perfect—no government system is for that matter. As far as we are concerned the Saudi regime has a long way to develop. but Americans being a true ally of Saudi Arabia for decades can and should help them to evolve.

Over the past 30 years alone, the Saudi government has invested \$1.2 trillion and transformed a desert into a modern, viable nation. Before the discovery of oil in 1932, Saudi Arabia's meager income came from the annual pilgrimage. Now its GDP ranks 30th out of 186 nations. The Saudis also understand the necessity for a diverse economy. They have built two large industrial cities, numerous industrial parks, loaned about \$10 billion for new businesses and have more than 2,500 new factories, giving preference always to U.S. companies.

Simultaneously, they have invested in their people by building thousands of schools, 8 universities, over 300 hospitals and 100,000 miles of paved roads.

They have not squandered their opportunities, but this is not to say that they do not have problems. In 60 years they have transformed themselves from a nomadic society to one which is 85 percent urban. Unemployment among the young emerged because of a mismatch between skills and jobs. The government understands the problem and is expanding technical and vocational training on one hand and replacing foreign workers with Saudis on the other. They are very conscious of the problem and, as allies, we should urge the Administration to help them through its various organs.

And they have not neglected their self-defense. Hand-in-glove with the U.S. military and defense contractors, Saudi Arabia has built its military forces. Yet there are those that devalue our partnership by stating that Saudi Arabia does not cooperate with the United States militarily.

Ridiculous.

In the 1980s, Saudi Arabia's donations to the Afghan Mujahideen were matched dollar for dollar by the U.S. government in our joint drive against communism.

In the 1980s, Washington and Riyadh cooperated very closely to stop military aggression by Iran.

Even at oil embargo times Saudi Arabia fuel supplies to the U.S. armed forces never stopped.

In 1990, the U.S. government received complete Saudi cooperation in the war against Iraq.

After Desert Storm and up until today, there has been crucial Saudi support in maintaining the southern "no-fly" zone in Iraq.

During our most recent campaign in Afghanistan, the Saudis provided access to the command and control facility at the Prince Sultan Air Base. This is an excellent record of alliance.

When the nay-sayers criticize Saudi Arabia for not supporting a war against Iraq because the Kingdom wants to use the U.N. sanctions and diplomatic solutions to bring Saddam to heel and because it has not been shown any link between Saddam and 9/11, how is this different from the position of Brent Scowcroft and Dick Armev or Germany and an array of others, inside and outside the U.S.A.? Believe me, no one in the Saudi government will shed a tear at Saddam's demise, but Iraq is their neighbour and the Saudis are justifiably cautious when asked to commit to such schemes which will devastate an innocent Iraqi populace.

Not only in Saudi Arabia but in the whole world, sentiments run high against U.S. military action against Iraq; people are wary that it will wreak havoc and destruction on an already beleaguered people. On the other hand, if possession of weapons of mass destruction is the motive for such a war you cannot detract people in that part of the world from also pointing fingers elsewhere. And we have to recognize that.

Furthermore, it is asserted that we cannot trust Saudi Arabia to be a supplier of our energy needs. This is absolutely absurd. Saudi Arabia's policy for the past 25 years has been not to use oil as a political weapon. Saudi policy makers maintain stable prices and stable supplies of oil throughout the world. They have often sold their oil at a \$4 discount below world market price to ensure affordable oil is available to the free world. Most oil exporters produce as much as they can. However, for many years Saudi Arabia has played the role of swing producer, increasing or decreasing production in order to avoid spikes in the pricing. Most notably Saudi Arabia continued this policy even though it could use the extra income due to the expense of the Gulf War in 1990–1991 which cost them over \$60 billion. I am not saying the Saudis are angels sacrificing their interests for the sake of consumer countries, but I am saying that their energy interests match ours and have done so for 60 years. To throw the overboard for some pie-in-the-sky Russian supply scheme is lunacy.

Moreover, there are those who claim that Saudi Arabia is a stumbling block to peace between Israel and Palestine. They assert that Saudi Arabia fuels terrorist organizations in the Occupied Territories. As to the last assertion, the Saudis adamantly deny this. They say that their government's aid to Palestinians is humanitarian . . . clothes, food, medicine

and shelter . . . and assertions to the contrary have never been proven. In fact, I believe that their attitude toward peace is demonstrated by Crown Prince Abdullah's Peace Plan, which many Israelis found very hopeful. Why? Because it was introduced in a time of immense ill-will between Arabs and Israel; because Saudi Arabia was always viewed as the least likely to ever agree to diplomatic relations with Israel; and because the whole Arab World has agreed to the plan. The Crown Prince should be praised and applauded, not castigated, for his effort which is consistent with the U.S. position and U.N. resolutions, particularly Resolution No. 194, 242 and 338.

Let us swap positions with the Saudis and explore how they, both at the official and populace level, see us. And for that purpose, let us take the Palestine question—the most inflammatory in the region—as a yardstick to gauge how our positions diverge or converge. The Saudis cannot ignore that we side with Israel across the board, providing it with political and military cover to the detriment of the Palestinians. Is it not true that we vetoed over 70 U.S. resolutions favouring Palestinians, thereby insulating Israel from international consensus and even censure?

On the ground, and as a daily routine, Israeli tanks roll into Palestinian territories. There, the Arabs see the Israeli army, strongest in the region, devastatingly using a U.S. supplied sophisticated arsenal against Palestinians, sparing no houses, farmland or civilian lives; lives of civilians who are only seeking their right to self-determination in line with the will of the international community.

How can the Arab on the street reconcile himself with this? Even the closest of our friends are dismayed and embarrassed at our deteriorating credibility. Under such pressure, the most moderate regime will only have to identify with its people's sentiments and legitimate concerns; hence the disappointment with U.S. policies.

Historically speaking, we must not forget that Saudi Arabia has all along been accused by Arab radicals as being the most moderate Arab country and the staunchest friend of the West. In so far as the Arab-Israeli relationship is concerned, what Saudi Arabia is obviously after is a lasting and just peace, not a lopsided or one-sided one, based on U.N. resolutions. This has been unequivocally highlighted in the plan I've just referred to and has been a standing policy line for Saudi Arabia.

Despite all pressures, Saudis say, they went out of their way to maintain their moderate posture. But, have they been immune from Israeli provocations? Unfortunately not. Among other things, Israel has been making provocative air sorties over the Saudi air bases and I personally know how humiliating this must be.

Having said that, do we, as lawmakers, accept to fall for the paradox of calling Saudi Arabia a "stumbling block" to peace?

For the sake of our ally and friend Israel and our unwavering commitment to its security and longevity, I urge our Administration together with the U.N. and our allies in Europe to work diligently to impose peace in line with U.N. resolutions—this will inevitably make the world a safer place for us, for our Israeli friends and for the rest of humanity.

Finally, let us look at this purely from a selfish perspective. The Saudis have more crude oil than anyone else; 25 percent of the world oil reserve, a commodity by all accounts that

is going to be the main source of energy for the next two decades at least. They have a proven track record of handling this resource wisely. Crude oil is strategic. Let's cooperate with them.

From a security and policy view point the question that occurs to me here is how many friends do we have in the region with a historically rooted and abiding relationship as is the case with Saudi Arabia?

Let me conclude by saying that Saudi Arabia is not the enemy. In the recent words of our President, "Saudi Arabia is our eternal friend". But if we continue to assail, insult and threaten them, we will jeopardize the relationship.

And make no mistake, those that denounce the partnership know very well that their denunciations can be self-fulfilling. What folly . . . to cast aside a proven friend for someone else's purposes.

IRAQ WATCH

The SPEAKER pro tempore (Mr. GARRETT of New Jersey). Under the Speaker's announced policy of January 7, 2003, the gentleman from Washington (Mr. INSLEE) is recognized until midnight.

Mr. INSLEE. Mr. Speaker, I yield to the gentleman from Massachusetts.

Mr. DELAHUNT. I thank my friend for yielding. Here we are once more this evening for the next half hour to talk about the situation in the Middle East. It seems that we have been doing this now for, I think, 15 or 16 months. We describe it as the Iraq Watch. I understand, also, that tomorrow night we will be back here shortly before the conclusion of the legislative business for the day prior to the Vice Presidential debate which is scheduled for tomorrow night between Vice President CHENEY and Senator EDWARDS.

Speaking of the Vice President, I remember being somewhat taken aback by the continued allegation by the Vice President relative to the relationship between al Qaeda and Saddam Hussein. Of course, just recently I read again where the Vice President makes allusions to some sort of link between al Qaeda and Saddam Hussein.

Mr. CUNNINGHAM. Will my friend yield for just 10 seconds on that issue and then I will leave you alone?

Mr. DELAHUNT. Yes, I will. Of course.

Mr. CUNNINGHAM. I will be happy to provide the 9/11 report. The committee graphically details from 1990 to 2000, to when Saddam Hussein was captured, his linkage with al Qaeda and it is in the 9/11 report.

Mr. DELAHUNT. With all due respect to my good friend from California, I have read the report. I have read it in considerable detail. I agree with the chairman of the 9/11 Commission after my review of that report that was done by an independent commission comprised of five Republicans and five Democrats. In fact, this past June the chairman of the commission, a former Governor of New Jersey, Tom Kean, had this to say in an interview that