U.S. RELATIONS WITH SAUDI ARABIA: OIL, ANXIETY, AND AMBIVALENCE

HEARING

BEFORE THE

SUBCOMMITTEE ON
THE MIDDLE EAST AND SOUTH ASIA

OF THE

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U.S. RELATIONS WITH SAUDI ARABIA: OIL, ANXIETY, AND AMBIVALENCE

TUESDAY, SEPTEMBER 18, 2007,

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON THE MIDDLE EAST
AND SOUTH ASIA,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC.

The subcommittee met, pursuant to notice, at 1:34 p.m. in room 2172, Rayburn House Office Building, Hon. Gary L. Ackerman (chairman of the subcommittee) presiding.

Mr. ACKERMAN. The subcommittee will come to order.

Mention Saudi Arabia to most Americans and you get a complaint about high oil prices, concern about support for radical Islam, and an angry reminder that 15 of the 19 hijackers on 9/11 were Saudis.

Mention America to most Saudis, and you get complaints that America talks of democracy, but supports repressive regimes; that America always seems to be fighting and killing Muslims; and of course, that American policies in the region are biased toward Israel.

Experts might dismiss these sentiments as those of people who don't understand the big picture; namely, the strategic bilateral relationship that begin during World War II.

But a closer examination of that relationship reveals that opinion on both the American and Saudi street is not far from some important and uncomfortable truths about the relationship. It has never been very deep, nor truly stable, nor founded on a broad agreement of world views.

The United States and Saudi Arabia do share important strategic goals in the Middle East. We both want to restore stability in Iraq. We both want to stop Iran's drive for nuclear weapons, and to curb its appetite for regional hegemony. We both want a resolution to the Israeli-Palestinian conflict that involves two states with two people living side by side in peace and security.

But look at each objective a little closer, and significant divisions come into sharp focus.

From our perspective, the current Shi'a-dominated government in Baghdad, so long as it can provide some measure of security throughout the country and establish a working political consensus with other major ethnic groups, would be more than sufficient for us to declare victory and leave.

The Saudis, on the other hand, see the current government of Prime Minister al-Maliki as a tool of Tehran, and refer to our pres-

ence in Iraq as illegal occupation. Potent code words in the Arab world. And we believe the Saudis have been turning a blind eye to the movement of Saudi jihadis into Iraq.

On the question of Iran, the United States is struggling to build on an international coalition in favor of tougher sanctions to pressure Iran into abandoning its pursuit of nuclear weapons. But there is a limit to American patience, and it is only the failure of political means that would compel us to consider other options.

But while we labor the vineyards of diplomacy, the Saudis, who would be among those most threatened by a nuclear Iran, seem content to sit back, relax, and wait for the vintage of either our success or failure to be poured.

On the Israeli-Palestinian front, while we both want a two-state solution, we insist that the way to get there is to support a reformed Palestinian Authority, and to isolate Hamas in Gaza until they accept the three conditions laid down by the quartet: The recognition of Israel, non-violence, and the durability of prior agreements.

The Saudis, in contrast, until recently seemed willing to stomach anything to keep the Palestinians from fighting among themselves, even going so far as to put Iran's terrorist proxy, Hamas, on equal footing with President Abbas and the Palestinian Authority. And when Hamas refused to sign up for the Saudi-led peace initiative, and then perpetrated a coup in Gaza, our Saudi friends seemed to blame President Abbas.

Then there is the issue of terrorism financing. It is no secret that large sums of money flow from Saudi Arabia to bad people and organizations all over the world. And as with all things Saudi, the picture of government's response has been mixed. They have signed the U.N. International Convention for the Suppression of Financing of Terrorism, but haven't ratified it. They have announced that a single-government entity, the Non-Government Commission on Relief and Charity Work Abroad, would be formed to control overseas charitable activities, but it hasn't been established yet.

They have established new rules and regulations regarding money laundering and financial transfers, but they have yet to prosecute any prominent Saudis accused of violating these laws, as Under Secretary of the Treasury, Stuart Levey, reminded us last week.

So on to this Jackson Pollock-like canvas of strategic convergence. The tactical disagreement, the Bush administration has splattered a $20 billion arms deal. Under the best-case scenario, this deal has significant merit. But what is the likelihood of the best-case scenario?

To be frank, I view arms deals with a great deal of skepticism. The recipient certainly welcomes the arms, but I don't think they love or respect us in the morning after the sale.

The results of such deals are usually a mixed bag of hoopla, behind-the-scenes cooperation, and ugly public disappointments down the road. And I believe that this will be the outcome of the current deal currently being proposed.

The Saudis are not going to change their calculations about important region issues simply because we have allowed the princes, at their Defense Ministry, to buy some of our most lethal goodies.

Saudi Arabia will make its own calculations about the region, and about its relations with the United States, on the same basis it always has: What is in it for the House of Saud?

So I think we ask ourselves a similar question: What is in it for the house of Uncle Sam? We can't get Saudi cooperation. If we can't get Saudi cooperation on the international situation in Iraq, on stopping the flow of fighters and cutting off money going into insurgents there and to other terrorists around the world, then why should we believe that they see the War on Terror as we do? And why sell them those weapons?

If we can't get the Saudis to step up and forthrightly participate in a coalition of nations confronting Iran's nuclear aspirations, then why should we believe that they see the Iranian threat as we do? And why sell them these weapons?

If we can't get the Saudis to even commit to attending the upcoming Regional Conference on the Israeli-Palestinian issue, let alone resume active support for the Palestinian Authority and the leadership of the Arab world encouraging a two-state solution, then why should we believe that their commitment to regional security is built on the same foundations as are ours? And why sell them these weapons?

In the end, selling them arms won't guarantee their cooperation, much less their love. I don't think it would even get us to the point where, as the 9–11 Commission recommended, officials from both countries would be willing to defend the relationship to their respective publics.

Maybe the arms sale can be used to help tip the balance in our direction on these issues and leave open the possibility of a broader reconciliation in the long term. Since it is their $20 billion anyway, maybe that is all we can realistically expect.

I would like to yield now to my good friend, the ranking member from Indiana, Mr. Pence.

[The prepared statement of Mr. Ackerman follows:]

PREPARED STATEMENT OF THE HONORABLE GARY L. ACKERMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK, AND CHAIRMAN, SUBCOMMITTEE ON THE MIDDLE EAST AND SOUTH ASIA

The Subcommittee will come to order. Mention Saudi Arabia to most Americans and you get complaints about high oil prices, concern about support for radical Islam, and an angry reminder that 15 of the 19 hijackers on 9/11 were Saudis. Mention America to most Saudis and you get complaints that America talks of democracy but supports repressive regimes, that America always seems to be fighting and killing Muslims and, of course, that American policies in the region are biased towards Israel.

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From our perspective, the current Shia-dominated government in Baghdad—so long as it can provide some measure of security throughout the country and establish a working political consensus with the other major ethnic groups—would be

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And then there is the issue of terrorism financing. It's no secret that large sums of money flow from Saudi Arabia to bad people and organizations all over the world. And as with all things Saudi, the picture of the government's response has been mixed. They have signed the U.N. International Convention for the Suppression of the Financing of Terrorism, but haven't ratified it. They've announced that a single government entity, the "Non-governmental Commission on Relief and Charity Work Abroad," would be formed to control overseas charitable activities, but it hasn't been established yet. They've established new rules and regulations regarding money laundering and financial transfers, but they've yet to prosecute any prominent Saudis accused of violating these laws, as Undersecretary of the Treasury Stuart Levy reminded us last week.

So onto this Jackson Pollock-like canvas of strategic convergence, and tactical disagreement, the Bush Administration has splattered a $20 billion arms deal. Under the best case scenario, this deal has significant merit. But what's the likelihood of the best case scenario?

To be frank, I view arms deals with a great deal of skepticism. The recipients certainly welcome the arms, but I don't think that they love or respect us the morning after the sale. The results of such deals are usually a mixed bag of hoopla, limited behind-the-scenes cooperation and ugly public disappointments down the road, and I believe this will be the outcome of the deal currently being proposed.

The Saudis are not going to change their calculations about important regional issues simply because we allowed the princes at their defense ministry to buy some of our most lethal goodies. Saudi Arabia will make its own calculations about the region and about its relations with the United States on the same basis it always has: What's in it for the House of Saud?

So, I think it's time we asked ourselves a similar question: What's in it for the USA? If we *can't* get Saudi cooperation on the internal situation in Iraq, on stopping the flow of fighters and cutting off money going to insurgents there and to other terrorists around the world, then why should we believe that they see the war on terror as we do, and why sell them these weapons?

If we can't get the Saudis to step up, and forthrightly participate in a coalition of nations confronting Iran's nuclear aspirations, then why should we believe that they see the Iranian threat as we do, and why sell them these weapons?

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I yield now to my friend from Indiana the Ranking Member, Mr. Pence.

Mr. PENCE. Thank you, Chairman Ackerman. And thanks to our distinguished witnesses and my colleagues who have taken time for this important hearing.

Because of its natural resources and strategic location, Saudi Arabia has been an important country to this one since our inception, or at least more than the last century. During the Cold War and through the Gulf War, our interests and efforts merged frequently. But the 9–11 Commission correctly called Saudi Arabia, in my judgment, "a problematic ally."

Today Saudi Arabia poses hard questions for us. Is it hatred's kingdom, as it has been labeled? Just yesterday, Nina Shea, Director of the Hudson Institute Center for Religious Freedom, wrote in National Review Online:

> "Saudi Arabia now supplies jihad fighters for conflicts near and far, often in numbers far disproportionate to its size. As new statistics become available, one thing becomes ever clear: The Saudi kingdom is the world's leading exporter of suicide bombers and terrorists."

Sadly, the specifics are even more troubling. Everyone knows, as the chairman mentioned, the nationality of 15 of the 19 hijackers on 9/11. But as Ms. Shea reports, a Saudi was the mastermind of the terror in Chechnya; Saudis played a prominent role in recent suicide attacks against Spanish tourists in Yemen. A Saudi doctor was one of the leaders in the recent airport attack in Glasgow. Saudis also comprise the second-largest contingent of prisoners in Guantanamo Bay, behind only Afghanistan.

Further, the *Los Angeles Times* reported in July that Saudis constitute the largest number of foreign fighters and suicide bombers in Iraq.

I should point out that none of this implicates the Government of Saudi Arabia directly. But, Mr. Chairman, some Middle Eastern governments oppose jihad only so far as it threatens their own self-preservation. Given the goals and reach of global terror, this is simply not enough.

Six years after 9/11, it is time to ask if Saudi Arabia is helping in taking the oxygen out of jihad. There is a popular new movie in theaters as we speak, starring Jamie Fox, entitled, The Kingdom. It depicts an extraordinary partnership between American law enforcement personnel and Saudi Arabian law enforcement personnel.

The question before this hearing and before policymakers is: Is there any fact to that particular version of Hollywood fantasy? Are they lessening the appeal of those who attack civilians? Are they marginalizing its advocates? Is their strategy of educating and reintegrating first-offense jihadists really wise?

In short, are they really an ally in the War on Terror? And if so, are they too afraid to be overt about it?

Our State Department reassured us as recently as this morning that Saudi Arabia's assistance on the counterterrorism front is substantial and robust, but publicly Saudi Arabia prefers to keep its distance, often playing an unhelpful role, attempting to prop up Hamas in the Palestinian territory, and even recently labeling our presence in Iraq as a "illegal foreign occupation." All the while, as Professor Gause points out, fretting that we will leave.

So is their counterterrorism system something that they are ashamed of, or is it a light under a bushel? Is Wahabism still a pillar of Saudi foreign policy, as Mr. Wolosky's testimony suggests?

Although our approaches differ greatly, one area of agreement with Saudi Arabia is its concern about the threat that Iran poses in the region and in the world. In this light, the administration's proposed weapons sale I think merits consideration, but vigorous oversight. I am not automatically opposed to it, but I am biased to be opposed to it. But if it can be a part of encouraging Saudi Arabia to play a role in deterring Iranian aggression, then it ought to be considered. But it should not be viewed as a blank check to the Saudi regime, given their record.

I applaud the efforts of Stuart Levey, Under Secretary of Treasury for Terrorism and Financial Intelligence, and his yeoman efforts in cutting off terrorist financing wherever it is found. As our witness, Mr. Wolosky, points out, Secretary Levey has said, "If I could somehow snap my fingers and cut off the funding to one country, it would be Saudi Arabia."

And I think the administration also deserves credit for encouraging modest reforms in Saudi Arabia. How we interact with an ostensible ally is a critical question in the years ahead.

Mr. Chairman, to yourself and my colleagues, I look forward to our discussion. And I again commend you for calling a hearing on this critical and vital strategic issue of our relationship with Saudi Arabia.

Mr. ACKERMAN. Mr. Wilson.

Mr. WILSON. Thank you, Mr. Chairman. And Mr. Chairman, I want to acknowledge, I am going to be leaving in a minute. I have got an Education Work Force Committee meeting across the hall that I am ranking, but I will be looking at the testimony.

I want to thank you for being here today. I do have the perspective that indeed Osama bin Laden, in 1988 he declared war on America and its allies. But he additionally certainly has declared war on the House of Saud in Saudi Arabia. And so I indeed look forward to reading, and I appreciate the chairman having the subcommittee meeting today.

I yield back the balance of my time.

Mr. ACKERMAN. The chair thanks you. We are happy to have Mr. Rohrabacher sit in with our subcommittee today, and he is welcome to make any opening statement he would like.

Mr. ROHRABACHER. Thank you very much, Mr. Chairman. And although I am not a member of the subcommittee, I of course have been very close to your efforts over the years. And Saudi Arabia has played a role that goes far beyond just simply a Middle Eastern power.

Your remarks were intentioned to the fact that 15 of the 19 hijackers that slaughtered 3,000 Americans on 9/11 were Saudis. And we retaliated heavily against the Saudis by invading Afghanistan. Something is wrong there. I mean, something is terribly wrong with that formula.

Let us note, Mr. Chairman, that I have been deeply involved with Afghanistan for three decades. And it should not be forgotten, those 15 of the 19 hijackers should not be forgotten. Who financed those hijackers should not be forgotten.

You know, this was a conspiracy that went on for several years with large numbers of people, and who financed this? My guess is that we—and I will be asking that question of the panel—is, was it Saudi financing that financed 9/11.

Let us also note that Prince Tirki, who is just formerly the Ambassador here, just recently left, also the head of the intelligence operation in Saudi Arabia for several decades, was the creator of the Taliban. He was also responsible for bin Laden going to Afghanistan once the Saudis had ensured that the Taliban took over Afghanistan for more moderate, over more moderate alternatives.

These things, coupled with what has happened since, our liberation of Iraq and the Saudi complicity with financing and also providing the personnel for the insurgency that has killed thousands of American troops in Iraq, is unconscionable. The bottom line is, we want to know if this administration is watching out for America's interests in dealing with Saudi Arabia.

Something is obviously wrong, Mr. Chairman. We want to know if the administration is doing its job protecting our people over there, and the United States. Thank you very much.

Mr. ACKERMAN. Thank you. Mr. Scott.

[No response.]

Mr. ACKERMAN. Mr. Costa.

[No response.]

Mr. ACKERMAN. There being no further members who wish to make opening statements, we will—Mr. Inglis?

Mr. INGLIS. No, thank you, Mr. Chairman.

Mr. ACKERMAN. We will proceed directly to hearing from our distinguished panel.

F. Gregory Gause, III, is an associate professor of political science at the University of Vermont, and director of the University's Middle East studies program. He was previously on the faculty of Columbia University, and was a fellow for Arab and Islamic studies of the Council for Foreign Relations in New York.

He has published two books: *Oil Monarchies, Domestic and Security Challenges in the Arab Gulf States*; and *Saudi-Yemeni Relations: Domestic Structures and Foreign Influence*. His articles have appeared in *Foreign Affairs, Foreign Policy*, Middle East journals, *Security Studies*, and the *Washington Quarterlies*. He has also held research positions at the RAND Corporation and the Brookings Institution.

He received his Ph.D. in political science from Harvard University, his B.A. from St. Joseph's University.

Lee S. Wolosky is a partner at Boies, Schiller & Flexner. Mr. Wolosky joined the firm in 2001 from the White House, where he served as Director of Trans-National Threats on the National Security Council, under Presidents Clinton and George W. Bush.

During his tenure with the Office of Trans-National Threats, Mr. Wolosky coordinated U.S. Government policy relating to terrorism, domestic preparedness, critical infrastructure protection, corruption, and international crime. Among other responsibilities, Mr. Wolosky coordinated the response of the U.S. Government to elicit finance affecting national security.

He served as lead White House official on matters pertaining to money laundering and foreign official corruption. From 2002 to

2004, Mr. Wolosky served as co-director of the Council on Foreign Relations Task Force on Terrorism Financing.

We welcome both of you. Your complete statements will be put in the record as presented. And, Professor Gause, we will begin with you.

STATEMENT OF MR. F. GREGORY GAUSE, III, ASSOCIATE PROFESSOR, DEPARTMENT OF POLITICAL SCIENCE, UNIVERSITY OF VERMONT

Mr. GAUSE. Thank you, Mr. Chairman, members of the committee, for this opportunity.

I would like to give you my views, in a very abbreviated fashion, on a number of questions which have arisen in past debates on Saudi arms deals, which are important in consideration of this sale.

First, is the Saudi Government unstable? Are we selling arms to a regime that will shortly fall? And will we see those arms fall into the hands of a hostile government, on the model of Iran in the 1970s?

I think not. We tend to exaggerate the weakness of the Saudi regime. Every generation of American Middle East expert since World War II has forecast the demise of the Saudi monarchy. They have all been wrong.

The Saudi regime has weathered numerous storms in the past. With oil prices at or above $80 a barrel, it has plenty of money to maintain its patronage networks. Its security forces have been able to contain the challenge to regime security presented by the local affiliates of al-Qaeda. They remain a security risk, but cannot bring down the regime.

Second, how much would this arms sale affect security issues in the region? Not that much, I think. The Saudis are not disposed to use their armed forces outside their borders. They are too cautious; their armed forces are not that good.

It is also unlikely that this increase in Saudi conventional armaments would spark a regional arms race. We are already arming Israel and Egypt. The Iraq situation is such a mess that the focus of all Iraqi actors for some time will be on their own internal struggles.

Iran began its nuclear program in response to threats and circumstances that have nothing to do with Saudi armament levels. It is possible that the Iranians will try to increase their conventional capabilities in response, but they are limited by their own budgetary problems.

The bottom line is that this arms sale will not have that much effect, either positive or negative, from the American perspective, on the region.

Third, why would the Saudis want these arms, if they are not going to have that much of an effect? For two reasons.

First, the Saudis do see themselves in a contest for regional influence with Iran, and see Iran growing in regional power. While this contest is not primarily military, being seen as keeping up with Iran militarily is part of the Saudi effort to contest Iranian influence.

A restatement of American military support for the country, which is how the arms sale would be seen regionally, would strengthen Saudi Arabia in its regional contest with Iran.

Second, there are, of course, domestic drivers in Saudi Arabia of this arms policy, as well. The Defense Ministry wants its share, if not more than its share, of the oil windfall which has accrued to Saudi Arabia in recent years. Important individuals also benefit from these deals.

Fourth, in selling arms to Saudi Arabia, are we supporting a government that contributes to Islamist radicalism? Here the balance sheet is mixed. There is no question that in the 1980s and 1990s the Saudi Arabian Government first encouraged, and then allowed, radical jihadist interpretations of Islam to grow, both within the kingdom and in the international Muslim organizations which the Saudis finance. This phenomenon grew out of the Afghani jihad against the Soviet Union in the 1980s.

It is only since 9/11, and more directly since the al-Qaeda attacks in Saudi Arabia itself, which began in 2003, that the Saudi Government has tried to deal with local manifestations of radical jihadism.

It has taken some effective steps, but it is clear that there remain large parts of Saudi society susceptible to the appeal of radical Islamism in terms of recruitment to al-Qaeda cells in Saudi Arabia itself, in terms of volunteers for jihadist activity in Iraq, in terms of money to such groups.

The Saudi record here is not as bad as some have charged. The Saudi elite do realize the threat that these groups and ideas pose to them, but they are also cautious about confronting important elements of their domestic constituency: The religious establishment and Islamist activists. Implementation does not always live up to policymakers' statements.

Fifth, and finally, is there any reason for us to sell these arms? There is a simple economic argument in favor of making the sale. The Saudis have the money and will buy arms from someone. If not us, it will be the French or the Russians or someone else.

Aside from that forthrightly mercenary reason, there might be one strategic advantage to making the sale. If Iran does acquire nuclear weapons down the line, there will be strong pressures on Saudi Arabia to try to do likewise. If the Saudi leadership is confident of its security relationship with the United States, that confidence could give us the leverage necessary to convince the Saudis not to follow the Iranian example.

In the absence of Saudi confidence in their security relationship with us, their incentives to go nuclear themselves increase markedly. That non-proliferation argument, admittedly speculative, might be the best strategic reason to support the arms sale.

Thank you.

[The prepared statement of Mr. Gause follows:]

PREPARED STATEMENT OF MR. F. GREGORY GAUSE, III, ASSOCIATE PROFESSOR, DEPARTMENT OF POLITICAL SCIENCE, UNIVERSITY OF VERMONT

The desire of the government of Saudi Arabia to purchase billions of dollars in advanced weaponry from the United States is driven by two factors: 1) the Saudi perception of the threats facing it in its regional environment, specifically the growth of Iranian power in recent years; and 2) internal Saudi political and bureau-

cratic dynamics, with the Defense Ministry looking to get its share (if not more) of the oil windfall accruing to the Saudi government over the last few years.

Despite the huge dollar amount of the proposed sale, it is unlikely to have much effect on the security situation in the region. Saudi Arabia is most unlikely to use its forces outside its borders. It has never done so on its own in the history of the modern Saudi state. While a Saudi arms build-up might increase its deterrent strength against Iran, the likelihood of a direct Iranian military attack on Saudi Arabia is very low, with or without the new arms. It is also unlikely that this arms sale will spark a regional arms race. Egypt and Israel are receiving large arms deals from the United States already. Iran initiated its nuclear program years ago, driven by perceived threats that have nothing to do with the level of Saudi armament. While Iran might try to increase its own conventional capabilities in response to the Saudi arms deal, it will be constrained by its own budgetary limitations. The real effect of the arms deal will be to reassure the Saudi leadership about the American commitment to its security and stability. That reassurance might give Washington the leverage it needs to dissuade Riyadh from contemplating its own acquisition of nuclear weapons should Iran succeed in a nuclear breakout.

This background paper will treat four issues related to the proposed arms sale to Saudi Arabia: 1) the Saudi Arabian view of the regional security situation, 2) internal drivers of Saudi Arabian politics, 3) the current state of the Saudi-American relationship, and 4) possible regional effects of the arms sale itself.

SAUDI ARABIA AND THE MIDDLE EAST REGIONAL SECURITY SITUATION

The Saudi government views the regional landscape essentially through a classic balance of power lens. It is preoccupied now with the growth of Iranian regional power, reflected in the expansion of Iranian influence in Iraq, Lebanon (through Hizballah) and among Palestinians (through Hamas). It is also concerned about the Iranian nuclear program. However, it has only been in the past 12 months or so that Riyadh has begun to take concerted action to block what it sees as Iranian influence in the Arab world. Before then, the Saudi leadership seemed somewhat paralyzed on the regional front, particularly on Iraq. It was caught in a difficult place. It was very reluctant to back the Maliki government (or the Jaafari government before that), because it saw them as extensions of Iran. However, it was leery about the Sunni insurgency for two reasons: 1) the al-Qaeda influence in it; and 2) it was killing Americans in Iraq, and backing it would create problems in the Saudi-American relationship. As long as the U.S. was in Iraq, the worst outcome for Riyadh—an Iraq completely dominated by Teheran—would be avoided without the Saudis doing very much.

It appears that the debate over the Iraq Study Group report in the U.S., in late 2006, galvanized a more active Saudi policy. The Saudis were clearly worried that the ISG report might lead to an American withdrawal from Iraq, leaving the field open for the Iranians. High level Saudi officials urged Washington to avoid doing anything precipitously, while hinting that the kingdom might have to intervene directly in Iraqi politics if the U.S. left. Even though the ISG report did not lead to withdrawal, it seems that the debate around it convinced Riyadh that, eventually, the U.S. would be leaving Iraq. It was then that Saudi diplomacy became more activist. On Iraq itself, one sign of that activism was King Abdallah's declaration at the Arab summit in March 2007 that the foreign presence in Iraq is "illegitimate." This can be seen as the entry price to dealing with Sunni groups in Iraq, which have consistently opposed the American presence in the country (even while some of those groups are now making tactical alliances with our forces there). While there is no evidence in public sources about Saudi government ties to Sunni tribes and groups, one can draw an interesting connection between the signs of Saudi activism in Iraq from late 2006 and the beginnings of the turn among many Sunni groups and tribes against al-Qaeda in Iraq's influence. There is more circumstantial evidence of active Saudi support for efforts by opponents of Iraqi Prime Minister Maliki, led by former Prime Minister Allawi, to form an alternative parliamentary coalition to oust Maliki from office.

The new Saudi activism on Iraq is paralleled by the Saudi initiative in February 2007 to try to bring Hamas and Fatah together in a coalition government in the Palestinian territories. While that initiative was a failure, it was inspired by Saudi fears that the split between the two Palestinian parties would drive Hamas further into the Iranian camp. Saudi support for the Lebanese government of Prime Minister Fouad Siniora, in the face of pressure from Hizballah and Syria, predates this spate of new diplomatic activism, but it is driven by the same factor. Hizballah is Iran's closest ally in Lebanese politics; Syria is the Arab state with the closest rela-

tionship with Iran. Blocking an increase in their influence in Lebanon is part of the Saudi strategy to limit Iran's reach in the region.

The Saudi effort to contain and, if possible, roll back Iranian influence in the Arab world is being pursued subtly. Riyadh does not seek a direct confrontation with Teheran. King Abdallah has received a number of high-ranking Iranian officials, including President Ahmadinejad, during 2007. The Saudis have publicly acknowledged that they are consulting with Iran about a solution to the Lebanese political stand-off. The King even received a delegation of Hizballah leaders in early 2007. The Saudis fear the consequences of an open confrontation with Iran. They lived through that during the 1980's, with Ayatallah Khomeini castigating them as "un-Islamic" puppets of the United States and Iran supporting Shi'a opposition groups throughout the Gulf. They did not like it then and would prefer to avoid it now. They know that, in any direct American-Iranian confrontation, Iranian responses would most likely be directed at U.S. allies in the Gulf. They seek to block Iran's efforts to expand its influence in the Arab world more indirectly, but that is their goal.

There has been much speculation that Saudi policy is driven more by sectarian than balance of power concerns—that the Saudis are looking to contain Shi'a influence, not Iranian influence. It is admittedly difficult to separate the issues. Iran tends to extend its influence in the Arab world through relations with Shi'a groups (though not exclusively—Hamas). With Iraqi politics now defined in sectarian terms, "blocking Iran" means "blocking Iran's Shi'a Iraqi allies" by supporting Sunni Arab and more secular Iraqi groups. There have been a number of very high-profile Saudi clerics and *salafi* activists who have explicitly framed the Iraq issue as a sectarian fight, calling for Sunnis to rally to support their co-religionists and condemning the Shi'a as non-Muslims. However, the balance of the evidence indicates that the Saudi leadership is animated more by the fear of Iranian power than by sectarian animus against the Shi'a. I come to that conclusion based on two major factors.

First, the Saudi government itself has not played the sectarian card in the recent crises. On the contrary, Saudi writers who normally reflect elite opinion in the kingdom have gone out of their way to emphasize that it is Iranian power, not "Shi'a power," that is of concern. The Saudis sponsored a meeting in Mecca in October 2006 in which Sunni and Shi'a clerics from Iraq issued a statement condemning sectarian violence. King Abdallah himself told an interviewer in January 2007 that he thought Sunni-Shi'a tensions were "a matter of concern, not a matter of danger," and that if handled correctly those tensions would not become dangerous. When asked in the same interview about allegations of Shi'a efforts to convert Sunnis in Arab countries, the King said that such efforts would fail, but quickly changed the subject to the support the kingdom gives to conferences aimed at bridging Sunni-Shi'a differences.

Second, the Saudi government has been on a minor, but in the Saudi context significant, charm offensive toward its own Shi'a minority for a number of years. The Saudi Shi'a leader Hassan al-Safar was very publicly invited to participate in the King's "National Dialogue" initiative which began in 2003, and was photographed with Abdallah at the first meeting of the Dialogue. Municipal council elections in 2005 allowed Saudi Shi'a to elect representatives for the first time in decades to help manage their cities (though the elected members comprise only half of the members of these councils, and the councils themselves do not have much power). Perhaps most importantly from a symbolic standpoint, Saudi Shi'a for the past three years have been able to commemorate the Shi'a feast of Ashura publicly. Such public commemorations had been banned for decades, and are particularly offensive to hard-line *salafis* from the Wahhabi tradition. While Saudi Shi'a certainly feel the effects of rising sectarian tensions, I did not hear in my conversations with a number of Shi'a leaders during a visit to the Shi'a city of Qatif in early January 2007 that they felt that the Saudi government was reversing its tentative policies of outreach to their community. If Riyadh were viewing the rise of Iranian regional power primarily through a sectarian lens, the first place that it would react would be against its own Shi'a population, as it has done in the past.

That being said, the leaders of Saudi Arabia and the other Sunni Arab states worried about Iranian power are willing to play to the baser instincts of their own constituencies in allowing anti-Shia rhetoric to develop. The Saudi government could have cracked down on the *salafi* activists who issued anti-Shi'a statements in late 2006 and early 2007, but did not, at least in any public way. From our own experience in the U.S., we know that mobilizing public support for a foreign policy based on cold, realist, balance of power considerations is a tough sell. It would be an even harder sell for these Arab leaders, whose populations basically like the idea of Iran developing a nuclear program and cheered Hizballah in its confrontation with Israel in the summer of 2006. The Saudi leaders cannot sell the policy on the basis of bal-

ancing Iran, so they sell it (or allow it to be sold) on a sectarian basis. The danger in this kind of cynical manipulation is that sectarian tensions might escape the control of these governments. In the Saudi case, the escalation of sectarian tensions could both complicate, if not reverse, King Abdallah's efforts to reach out to the Saudi Shi'a minority and make it more difficult for Riyadh to pursue a nuanced policy toward Iran and the Shi'a-dominated Iraqi government. Playing with the sectarian issue is playing with fire. The Saudi government clearly believes that it can keep the fire under control. Whether it can remains to be seen.

There has also been speculation that the Saudi focus on containing Iranian influence might lead to a new willingness to deal with Israel. It is true that nothing brings countries together like a common enemy. It seems that a high-ranking Saudi official (speculation centers on Prince Bandar bin Sultan, the former ambassador to the U.S. and current national security adviser) met with a senior Israeli official (speculated to be Prime Minister Olmert) to discuss common interests in 2006. We should not, however, expect too much movement on this issue from the Saudi side. The Saudis feel constrained by their own public opinion, which remains decidedly anti-Israeli and pro-Palestinian. The Saudi government is not a democracy and frequently acts against its public opinion, but only when it sees some immediate benefit. In the case of the Arab-Israeli peace process, the Saudis would demand up-front guarantees that their engagement with Israel would lead almost immediately to a Palestinian state on the West Bank and Gaza before they would take the significant step of publicly engaging the Israeli government in any serious way. Foreign Minister Prince Saud Al Faysal's recent statements about Saudi conditions to attend the U.S.-proposed peace meeting confirm this view. The Saudis will not stand in the way of others in the Arab world dealing with Israel. They got the Arab League summit in March 2007 to reiterate its support for King Abdallah's earlier offer to recognize Israel in exchange for Israeli withdrawal to the 1967 borders. For Riyadh, this diplomatic gambit, a number of steps behind where Israeli and Palestinian negotiators actually were in 2000, is going out on a limb. It is wishful thinking to believe that the Saudis will take the lead on this issue.

SAUDI DOMESTIC POLITICS

In past debates over proposed arms sales to Saudi Arabia, one of the major concerns has been the stability of the Saudi government. Since the fall of the Shah of Iran in 1979, there has always been the fear that sophisticated American weaponry sold to a friendly regime could end up in the hands of people who wish us ill. Given current indicators, however, there is no reason to fear that the Saudi regime will fall any time soon. It is awash in oil money. For a regime built on a sophisticated and wide-spread system of patronage, both through formal channels of government and through more informal, personal relationships, high oil prices make life much easier. The Saudi security forces have wrested the initiative away from their most serious domestic opponents, al-Qaeda in the Arabian Peninsula (QAP). In 2003 and 2004, QAP was able to launch a number of high-profile attacks throughout the kingdom. Since that time, the Saudi security forces have, for the most part, been the ones taking the initiative: killing or capturing QAP leaders, attacking QAP hideouts and weapons stores, making pre-emptive arrests. QAP elements are still active in the country and can mount attacks. But they have not been able to mobilize large sectors of the Saudi public to their cause. They are a security threat, but they are not a threat to overthrow the regime.

While King Abdallah and his brothers are old, succession in the near term will not destabilize the system. Prince Sultan, the crown prince, will definitely follow Abdallah to the throne, if he outlives the king. There are other brothers available to follow Sultan, most prominently Prince Salman, the governor of Riyadh, who just turned 70 and seems to be in good health. Succession could be an important and difficult issue for the Al Saud when it comes time to transfer rule from the sons who have governed since the death of the founding king, Abd al-Aziz (Ibn Saud) in 1953, to the next generation, the grandsons of the founder. But that generational transfer will not happen for some time.

While the Saudi regime is stable and the oil money continues to flow in, it faces important domestic challenges which are of great concern to the United States. The foremost of these is the continuing appeal of radical jihadist ideas among the Saudi population. Since September 11, 2001, and more urgently since the QAP campaign against the regime began at home in May 2003, the Saudi government and the official clergy have preached (literally and figuratively) against extremism. They have condemned Usama bin Laden and his ideology. Saudi-funded international Muslim organizations have propounded interpretations of jihad that are almost parallel to Christian just war theories. The Saudi state has undertaken an extensive campaign

to re-educate those among its citizens who have been arrested for involvement in radical activities. The official clergy has publicly discouraged Saudis from going to Iraq to fight. The Saudi media has condemned and ridiculed the radicals and given large amounts of airtime and print space to those who have recanted such views.

And yet, Saudis make up one of the largest, if not the largest, contingent of foreign fighters in Iraq. QAP continues to be able to recruit sympathizers in the country. Just this year, in April and then in August, Saudi police made two series of arrests against suspected QAP cells. In each case over 100 people were arrested. No less a figure than the Saudi Interior Minister, Prince Nayif, the chief policeman in the country, upbraided Saudi religious scholars in May 2007 over their laxity in combating extremist ideas. The same forces that produced Usama bin Laden and 15 of the 19 9/11 hijackers continue to be at work in Saudi Arabia, despite government efforts to extirpate them in recent years.

It is difficult in a few years to delegitimate intellectual trends that date back decades. The celebration of jihad in the Saudi Islamic context dates back to the Saudi (and American) supported jihad in Afghanistan against the Soviet Union in the 1980's. This celebration of jihad was encouraged by the government in the 1980's. During the 1990's, rather than confront it at home, the Saudi rulers turned a blind eye to it. They confronted those among their citizens who challenged their own rule (including bin Laden), but did not take on the larger issue of radicalism itself. This violent and activist jihadi ideological current, combined with the bedrock intolerance and narrowness of Wahhabi Islam, are important sources (though not the only sources) of what became al-Qaeda and the radical *salafi* jihadist movement. While the government and the official clergy have now taken on the task that they chose to avoid in the 1990's, it is clear that the *salafi* jihadist strain is embedded in elements of Saudi society.

While the Saudi government now campaigns against this interpretation of Islam and brutally suppresses those of its citizens who challenge the regime on the basis of this interpretation, it treads much more lightly around those Saudi religious scholars who, while not openly opposing the government, encourage intolerant and radical interpretations of Islam. A number of prominent Saudi religious activists in December 2006 called on Sunnis to go to Iraq to support their co-religionists and condemned Shi'a Muslims in the most derogatory terms. Two prominent Saudi religious scholars issued similar judgments in the following weeks. The government took no public steps against any of these figures. The religious establishment, in both its official and more independent elements, remains an extremely important supporter of and constituency for the Saudi leadership. That leadership will not act against them unless the men of religion directly challenge the Al Saud's political prerogatives.

This balancing act, which allows extremist ideas and groups to fester, is clear on the issue of terrorist financing. The Saudi government has, since 9/11, adopted a number of policies urged upon it by the U.S. government to better control the activities of Muslim charities in the kingdom. Fundraising activities which were permitted, if not encouraged, in the 1980's and 1990's (such as soliciting donations in mosques and setting up cash boxes for donations outside of mosques) are now forbidden. American officials have regularly praised the steps Riyadh has taken on the terrorist financing front. Yet Saudi citizens remain, according to American officials, a major source of funding for Sunni extremist groups, whether in Iraq or elsewhere. While the Saudi government has enacted much new legislation to monitor and stem such financial transactions, it has not publicly prosecuted any of its citizens for terrorist financing.

Finally, on the domestic political scene, it has to be noted that the very modest political reform steps taken in the 2002–2005 period have come to a halt. A number of important petitions were circulated among Saudi reform activists, one even received by Abdallah himself, then. Saudis were permitted to test the limits of political speech in newspapers and other media. That more open political atmosphere has been curtailed. The municipal councils, half of whose members were elected directly by the Saudi (male) electorate in 2005, have not assumed an important role in the country's politics. While the political atmosphere is not as circumscribed as it was in past decades, the promise of continued political liberalization which seemed to be in the air in the first half of this decade has not been borne out.

SAUDI-AMERICAN RELATIONS

The very fact that this large American arms sale to Saudi Arabia has been proposed is evidence that the bilateral relationship has weathered the crisis of 9/11. The Saudi leadership still sees the United States as its most important ally and its ultimate security guarantor in a dangerous region. Washington still values the rela-

tionship with the Saudis, for oil and security reasons. The founding basis of the relationship six decades ago—shared interests on oil and security issues—remains in place. With Iraq in shambles and Iran actively hostile to the U.S., Saudi Arabia is the only major Gulf state which is a stable American partner. On the big strategic questions of the Middle East today, the United States and Saudi Arabia are on the same page to a greater extent than at almost any time in their relationship. They both worry about increasing Iranian regional influence and the Iranian nuclear program. They both see the Israeli-Palestinian conflict as a suppurating wound that needs to be healed. They both worry about the spill-over effect of Iraqi violence. They share an opposition to al-Qaeda and its regional affiliates.

Despite this general agreement, however, there are tensions between the two states on how to achieve these goals. Those tensions are such that King Abdallah chose to forego an opportunity to visit the U.S. earlier this year. Washington and Riyadh have very different tactical approaches on a number of issues:

- *Iran:* As mentioned above, Riyadh would not support a policy of direct confrontation with Iran. It seeks to contain and roll-back Iranian influence in the Arab world through a subtle combination of opposition and engagement. It does not want to be on the front lines of an American-Iranian military exchange. As long as the United States continues its current path of using diplomatic pressure, multilateral and U.N. sanctions and indirect military threats to push Iran away from the nuclear path, it will have Saudi support. However, if the Bush Administration decides that diplomacy has run its course and more direct action is needed against Iran, the Saudis will get off the train.
- *Iraq:* While Saudi Arabia attended the Sharm al-Shaykh summit on Iraq in May 2007, agreed to forgive the bulk of Iraqi debts incurred under the Saddam Hussein regime to it and recently said it would re-open its embassy in Baghdad, it has made clear that it opposes the Maliki government, which it sees as an extension of Iranian influence in Iraq. King Abdallah very publicly refused to receive Maliki on the latter's regional trip preceding the Sharm al-Shaykh summit. It has supported efforts by opponents of Maliki (including Iyad Allawi, various Sunni political factions and Maliki's Shi'a opponents) to form a political front to challenge the government's parliamentary majority. Saudi support for Sunni Arab groups, if such support in fact is developing, dovetails nicely with the current American strategy of partnering with Sunni tribes and groups opposed to al-Qaeda. However, that convergence might not last if those Sunni groups end up turning their guns against the Maliki government.
- *Arab-Israeli Peace Process:* Washington and Riyadh have very different visions of how to approach the issue. The Bush Administration seeks to isolate Hamas diplomatically and choke off the economy in Gaza over which Hamas now presides. Meanwhile, it hopes to encourage both economic growth and political progress in the Fatah-controlled West Bank, showing Palestinians in both locales that their best choice is to abandon Hamas and support Mahmoud Abbas. Saudi Arabia, on the other hand, is pushing for a renewal of Fatah-Hamas dialogue and a return to the Mecca Agreement on power sharing which the Saudis brokered earlier in the year. The Saudi thinking revolves around their desire to limit Iranian influence among Palestinians. They see an isolated Hamas turning more toward Teheran, and want to use their influence to bring Hamas back into an Arab-supported, unified Palestinian front. These tactical differences will become more prominent as the Bush Administration seeks to put together a successful peace conference this fall, particularly as Washington sees the Saudis playing a major role at the conference.
- *Oil:* With oil prices edging toward $80 per barrel and the 2008 American presidential primary season fast approaching, the issue of Saudi Arabia's role in the world oil market will once again become prominent in American politics. While the Saudis took the lead at the most recent OPEC meeting in urging an increase in production, they were also the leaders of the effort in 2006 to cut production by 1 million barrels per day. It seems clear that, while Saudi Arabia does not want prices to go over $80 per barrel, it is very comfortable with prices around $70 per barrel. Whether Washington shares that comfort level for the long term remains to be seen.

It must also be noted that public opinion in both countries is not particularly supportive of the close bilateral relationship. In the United States, the strong public opinion reaction against Saudi Arabia immediately after 9/11 has dissipated some-

what, but that does not mean that there is strong public support for the relationship. Rather, the vast majority of Americans have gone back to not particularly caring about Saudi Arabia. However, the public sense of mistrust about Saudi Arabia that 9/11 created can be easily revived if another major crisis in the relationship occurs. On the Saudi side, public opinion polling shows disturbingly large majorities holding negative views of the United States and its policies in the region. The Saudi-American relationship has always operated most smoothly at the elite level. The Saudi government is not a democracy. While its foreign policy is affected by its public opinion, it is not dictated by it. Nevertheless, the lack of public support on both sides for the relationship remains a troubling background issue.

THE ARMS DEAL ITSELF

There are two primary drivers on the Saudi side of this arms deal. The first is simple security. We should not be surprised that leaders of states in conflict-ridden areas want to have modern and well-equipped militaries, even if those militaries have very poor track records of actually doing anything. The Saudi leadership undoubtedly thinks that the arms deal will contribute to deterrence of possible attacks and signal possible opponents (Iran now, but perhaps others down the road) that the country has friends internationally which will support it. The Saudis are not acting all that unusually in the context of international politics in high-conflict areas.

The second driver is Saudi bureaucratic politics. Without questioning the sincerity of the leaders of the Saudi defense establishment in their desire to defend their country, they are also players in a domestic political game in which money brings power and influence. During the low-oil-price years of the 1990's, the Defense Ministry had to live without any major new arms deals. Given the huge oil windfall of the past years, it was inevitable that the Defense Ministry would want a big chunk of it. The only way to justify such large budget allocations is major military purchases. The Defense Ministry is not relying on Washington alone to provide it with the goods. It has already announced a major arms deal with Great Britain for fighter aircraft, a follow-up on the huge al-Yamamah-BAE deal signed in the mid-1980's. There is no doubt that other countries stand ready to sell Riyadh whatever it will pay for. Again, we should not be shocked that bureaucratic politics and even personal gain play a role in weapons procurement decisions in Saudi Arabia. It is the rare country where those factors are absent in such decisions.

So the Saudi desire for big-ticket arms deals is understandable. However, it is hard to imagine that this arms deal will significantly change the security situation in the Persian Gulf or Middle Eastern regions much at all. The Saudis have never used their army outside of their borders in the modern era, except in much larger coalitions (the Gulf War of 1991, a very small number of Saudi forces participating in some of the Arab-Israeli wars). The hints that Saudi forces may enter Iraq to try to affect events there, dropped in late 2006, are most likely bluff. It is hard to imagine what Saudi units would do once they got into Iraq. Riyadh will more likely try to influence Iraqi politics using the tools that it has been successful with in the past: money and diplomacy. While the arms deal, it could be argued, will increase Saudi deterrence against an Iranian attack, the likelihood of a full-out Iranian attack on Saudi Arabia is very low. It might increase the Saudi ability to meet an Iranian air attack on Saudi facilities (perhaps in retaliation for an American strike on Iran), but only after quite a bit of time for the Saudis to integrate the new weapons into their forces. The Iranians are more likely to try to pressure the Saudis through the instruments they have used in the past: support for Shi'a opposition in Saudi Arabia and the other Gulf states and propaganda.

The argument that this arms deal will lead to an arms race in the region does not hold much water. The United States is already going to supply Israel and Egypt with massive new arms packages. Maybe that is an arms race, but it is one that we are managing. Syria can hardly keep up technologically in such a race. It has no superpower patron and cannot afford to buy sophisticated armaments on its own. Iran was already developing the potential for a nuclear weapons program long before this arms deal was announced. It is driven in that pursuit by threats and past experiences which have nothing to do with Saudi Arabia. Teheran's decisions on nuclear questions will be determined by factors other than the amount of conventional arms the United States sells to Riyadh. The Iranian leadership has already pointed to the arms sale as a justification for its own military programs, but this is more propaganda than causality.

Some critics of the arms deal raise the legitimate point that, by linking Saudi Arabia ever closer to the United States, this transaction actually increases the risk of domestic opposition to the Saudi monarchy. People who make this argument point

to both the example of the Shah of Iran, whose ties to the United States contributed to his unpopularity, and to Usama bin Laden's indictment of the Saudi regime for hosting American forces. These are important points, but exaggerate the impact of this particular arms sale. The analogy to the Shah is apt, in that the Saudi regime is closely tied to the United States and this is not a popular thing among many in Saudi Arabia. However, the Saudi regime's link to the U.S. is decades old (like the Shah's was), and not dependent on any particular arms deal. It is hard to imagine that, if this arms sale was not concluded, the regime's opponents would think any better of it or that they would believe that the Saudi regime's reliance on the United States was diminished. Will bin Laden's criticism of the regime end if this arms sale does not go through? I doubt it. If the U.S. wants to distance itself from Riyadh, it will have to do much more than take back one arms deal. If we think we can maintain a close relationship with the Saudi government but shield it from the public opinion consequences of that relationship just by holding back one arms sale, we are fooling ourselves. It is hard to see how this one arms sale, as large as it is, would be the tipping point for popular discontent against a regime that has bought lots of American arms in the past and weathered a number of regional and domestic crises.

If this arms sale involved the stationing of American combat units in Saudi Arabia, as was the case between 1990 and 2003, then it could become the kind of lightening rod around which popular opposition could coalesce. We saw that occur in the 1990's. However, my understanding of the deal is that it will involve American trainers and technicians being in Saudi Arabia, not whole units of combat forces. This has been the case in Saudi Arabia for decades, since the first American military deals with Saudi Arabia in the late 1940's. Those training missions did not excite the kind of domestic opposition that the presence of the American air wing in the country during the 1990's did. While any high-profile American military presence in Saudi Arabia could excite domestic opposition, it does not seem that the training missions that would accompany these arms would be that obtrusive.

So this arms deal would have neither many positive aspects from a regional security perspective nor many negative repercussions for American interests in Saudi Arabia or the region more generally. Aside from simple economic interest, to secure sales for American companies that would otherwise go elsewhere, is there any reason to support the deal? There might be one, but it is speculative and long-term. The arms sale would reassure the Saudi elite of continued American support, in the face of growing Iranian power and with the prospect of an American withdrawal, sometime down the line, from Iraq. Such reassurance could be an important lever of influence with the Saudi regime if, someday, Iran does acquire a nuclear capability. In the face of an Iranian nuclear breakout, the Saudi regime would be faced with two choices: a) rely on American promises of support in exchange for not trying to match the Iranians by getting their own nuclear forces, or b) try to acquire an off-the-shelf nuclear capability from an existing nuclear power. If the Saudis are confident in the American commitment, they would be more receptive to American pressure not to proliferate themselves. If they are not confident in the American commitment to their security, they would be more likely to try to go nuclear themselves.

STATEMENT OF MR. LEE S. WOLOSKY, PARTNER, BOIES, SCHILLER & FLEXNER LLP

Mr. WOLOSKY. Thank you very much. Mr. Chairman, distinguished members of the committee, thank you for affording me the opportunity to testify before you today on issues relating to the United States-Saudi relationship, particularly as the Congress considers the sale of $20 billion in military hardware to Saudi Arabia.

That initiative is appropriately considered in the context of the broader bilateral relationship, and indeed, in the context for broader strategic considerations in the region.

I have been asked to provide testimony specifically on issues relating to terrorist financing and Saudi support for extremism, and I will focus my remarks accordingly.

As the 9–11 Commission concluded in its final report, financial supporters in the Gulf Region, and particularly in Saudi Arabia, have historically posed a particular problem in the financing of al-

Qaeda and other Sunni extremist groups. Three years later, although much progress has been made, Saudi financing remains a problem.

As recently as last week, as the chairman alluded to, Stuart Levey, who is the Under Secretary of the Treasury Department, publicly remarked, "If I could somehow snap my fingers and cut off funding from one country, it would be Saudi Arabia."

In recent years, of course, Saudi-based individuals have provided support specifically to Sunni extremists in Iraq. Some of that money is believed specifically to support opponents of Prime Minister al-Maliki.

For years the Saudi Government turned a blind eye to the financing of al-Qaeda by prominent Saudi-based religious and business leaders and organizations. Only after al-Qaeda bombed targets within Saudi Arabia in 2003 did the Saudis finally focus on the problem, and began a meaningful dialogue with the United States to combat it.

In some cases, the changes in Saudi counterterrorism policy that began in 2003, including changes specifically in the financial arena, have been profound. Saudi officials started to address the mindset that enables and condones acts of terrorism, specifically including through government-sanctioned religious messages.

These measures have included steps toward educational reform, and limited measures intended to discipline or re-educate certain extremist Islamic clerics, at least those operating within Saudi Arabia.

Saudi Arabia has taken important actions to disable domestic al-Qaeda cells, and has increased its tactical law enforcement and intelligence cooperation with the United States. In recent years, Interior Ministry and other Saudi law enforcement and intelligence officials have regularly killed and been killed by and with al-Qaeda members and sympathizers in violent confrontations in Saudi streets.

Saudi Arabia has also improved its legal and regulatory regime. Indeed, it earned high marks in 2004 from the Financial Action Task Force, the inter-governmental, anti-money laundering body, for putting in place a relatively comprehensive anti-money laundering regime.

The Saudi Government also took steps to remove donation boxes from mosques and shopping malls, and has established a Financial Intelligence Unit to detect, track, and monitor suspicious transactions. That entity became operational, I understand, in September 2005.

But while passing legislation is one thing, implementation and enforcement are another. Certain steps announced to increase oversight over problematic Saudi-based charities, for example, have not been fully implemented. And indeed, 6 years after 9/11, it appears to be the case that not one significant Saudi financier of al-Qaeda has been publicly punished.

The Saudi National Entity for Charitable Work Abroad, for example, which the chairman alluded to in his opening remarks, was first announced by the Saudi Government in February 2004. It was described as the "sole vehicle" for distributing private donations outside of Saudi Arabia.

According to a January 2007 Congressional Research Report, however, this body is still not operational. Similarly, the Saudi Government announced the creation of the High Commission for Oversight of Charities. As part of that effort, all Saudi charities were supposedly audited. That same January 2007 Congressional Research Service Report concluded that the results of these audits have not been made publicly available.

On the criminal law enforcement side, Saudi enforcement actions have largely avoided prominent financiers. There is no evidence of which I am aware that since 9/11, Saudi Arabia has taken public punitive actions against individuals for financing terror. Indeed, in remarks to ABC News on September 11, 2007, 1 week ago today, Under Secretary Levey suggested that none of the individuals identified by the United States as significant Saudi financiers, including some who bear the label specially designated global terrorists, have been prosecuted by the Saudis.

It is unacceptable that since September 11, 2001, not a single Saudi donor of funds to terrorist groups has been publicly punished.

Finally, an arguably greater problem than any particular financier is the global exporting of extremism that takes place through the propagation of Wahabism, which serves as a central pillar of Saudi foreign policy.

Wahabism is a brand of Islam that in some instances supports militancy by encouraging divisiveness and violent acts against Muslims and non-Muslims alike. Through support for madrassas, mosques, cultural centers, hospitals, and other institutions, and through the training and export of radical clerics to populate these outposts, Saudi Arabia has spent what could amount to hundreds of millions of dollars around the world. In some circumstances, this spending has financed extremism.

Unregulated and massive spending constitutes a paramount strategic threat, in my judgment, to the United States. Curtailing such extremism will need more demonstrable cooperation from Saudi Arabia. Although that cooperation has, I believe, begun, we must continue to demand greater cooperation from Saudi Arabia in combating the global propagation of extremism. Only by so doing can we be assured of winning the war of ideas, and defeat the ideology that attracts foot soldiers, supporters, and donors to extremism.

Thank you.

[The prepared statement of Mr. Wolosky follows:]

Testimony of Lee S. Wolosky

Partner, Boies, Schiller & Flexner LLP

U.S. House of Representatives Committee on Foreign Affairs

September 18, 2007

Mr. Chairman, Representative Pence and Distinguished Members of the Committee:

Thank you for affording me the opportunity to testify before you today on issues relating to the U.S.-Saudi relationship, particularly as the Congress considers the sale of $20 billion in military hardware to Saudi Arabia. That initiative is appropriately considered in the context of the entire bilateral relationship, and in the context of broader strategic considerations in the region. I have been asked to provide testimony specifically on issues relating to terrorist financing and Saudi support for extremism, and I will limit my remarks accordingly.

The 9/11 Commission concluded that that "Saudi Arabia has been a problematic ally in combating Islamic extremism." Although much has been done—particularly since May 2003, when Saudi Arabia itself became the target of al-Qaeda attacks—more remains to be done.

Before 9/11, al-Qaeda is believed to have received about $30 million per year. It did not derive these funds from one specific source. Money was—and is—raised in various parts of the world through Islamic charities and individuals, as well as through legitimate businesses and criminal enterprises.

Financial supporters in the Gulf region, and specifically in Saudi Arabia have historically posed a particular problem. As the 9/11 Commission concluded in its final report: "Al-Qaeda appears to have relied on a core group of financial facilitators who raised money from a variety of donors and other fund-raisers, primarily in the Gulf countries and particularly in Saudi Arabia."

Three years later, Saudi financing remains a problem. As recently as last week, Stuart Levey, the Undersecretary of the Treasury Department and senior policy official responsible for combating terror financing, remarked: "If I could somehow snap my fingers and cut off the funding from one country, it would be Saudi Arabia."

And Saudi-based individuals have, in recent years, provided support specifically to Sunni extremists in Iraq. The Iraq Study Group Report stated that "funding for the Sunni insurgency comes from private individuals within Saudi Arabia and the Gulf states." Some of that money is believed specifically to support opponents of Prime Minister Nuri al-Maliki.

To be clear, to suggest that Saudi-based individuals have funded terrorism is not to suggest that the Saudi Arabian government itself has funded terrorism. Widespread interest in searching for evidence of official Saudi complicity in funding al-Qaeda has tended to obscure "sins of omission." Saudi-based charities controlling billions of dollars are a good example; for many years there has been little or nothing done to reign them in even though they have benefited in

some cases from the sponsorship of the Saudi government. The failure to follow-through on promised structural or institutional reforms is another good example, as is the failure to prosecute Saudi-based individuals who are believed to have knowingly financed terrorist groups.

* * *

For years, the Saudi government turned a blind eye to the financing of al-Qaeda by prominent Saudi-based religious and business leaders and organizations. Only after al-Qaeda bombed targets within Saudi Arabia in May and November 2003 did the Saudis finally focus on this problem and begin a meaningful dialogue with the United States to combat it.

In some cases, the changes in Saudi counterterrorism policy that began in 2003 — including changes specifically in the financial arena — have been profound. Saudi officials started to address the mindset that enables and condones acts of terrorism. These measures have included steps toward educational reform and limited measures intended to discipline (or "re-educate") certain extremist Islamic clerics—at least those operating in Saudi Arabia.

Saudi Arabia has taken important actions to disable domestic al-Qaeda cells and has increased its tactical law enforcement and intelligence cooperation with the United States. In recent years, Interior Ministry and other Saudi law enforcement and intelligence officials have regularly killed al-Qaeda members and sympathizers in violent confrontations on Saudi streets.

Saudi Arabia has also improved its legal and regulatory regime. Particularly since the May 2003 Riyadh bombings, Saudi Arabia has announced the enactment or promulgation of new laws and regulations and the creation of new institutional arrangements to combat money laundering and terrorist financing.

For the first time, Saudi Arabia has subjected aspects of its anti–money laundering regime to international scrutiny. According to the 2004 annual report of the Financial Action Task Force, the international anti-money laundering body, Saudi Arabia has put into place "a relatively comprehensive AML/CFT legislative framework" and "meets almost all of the general obligations of the FATF 40 + 8 Recommendations."

Significantly, in the wake of the 2003 attacks, the Saudi government also took steps to remove donation boxes from mosques and shopping malls. And Saudi Arabia has established a Financial Intelligence Unit to detect, track and monitor suspicious transactions. That entity became operational in September 2005.

However, passing legislation is one thing, and implementation and enforcement are another. Certain steps announced to increase oversight over problematic Saudi-based charities have not been fully implemented.

The Saudi National Entity for Charitable Work Abroad, for example, was first announced in February 2004. It was described as the "sole vehicle" for distributing private donations outside Saudi Arabia. In 2004, Juan Zarate, then the senior Treasury Department official responsible for curtailing terrorist financing and now the Deputy National Security Advisor, told the Congress

that "the Kingdom must move forward to clarify and empower an oversight authority that will administer effective control over the [charity] sector and ensure compliance with obligations under the new regulatory measures." He called the establishment of the Saudi National Entity for Charitable Work Abroad a "major step forward" and noted, "we're looking forward to seeing the implementation of that."

According to a January 2007 Congressional Research Service report, however, this body is still "not operational."

Similarly, in December 2002, the Saudi government announced the creation of the High Commission for Oversight of Charities. This Commission was reportedly intended to help Saudi charities reform their operations and improve transparency. At the time, and as a part of these efforts, the Saudi government indicated that "all Saudi charities had undergone audits." According the same January 2007 Congressional Research Service report, however, "the results of these audits have not been made publicly available."

Regrettably, Saudi enforcement actions directed against al-Qaeda have largely avoided prominent financiers. There is no evidence of which I am aware that, since 9/11, Saudi Arabia has taken public punitive actions against any individual for financing terror. I believe that there have been no publicly announced arrests, trials, or incarcerations in Saudi Arabia in response to the financing of terrorism from Saudi soil—despite the fact that such arrests and other punitive steps have reportedly taken place.

In remarks to ABC News on September 11, 2007 – a week ago today – Undersecretary Levey suggested that none of the individuals identified by the United States as significant financiers — including some who are Specially Designated Global Terrorists — have been prosecuted by the Saudis. "When the evidence is clear that these individuals have funded terrorist organizations, and knowingly done so," Levey said, "then that should be prosecuted and treated as real terrorism because it is."

Saudi Arabia says that it has taken non-public actions against financiers. But actions taken in the shadows may have little consistent or systemic impact on ingrained social or cultural practices that directly or indirectly threaten the security of the United States. It is unacceptable that since September 11, 2001, not a single Saudi donor of funds to terrorist groups of which I am aware has been publicly punished.

Finally, an arguably greater problem than particular financiers is the global propagation of Wahabism, which serves as a pillar of Saudi foreign policy. Wahabism is a brand of Islam that, in some instances, supports militancy by encouraging divisiveness and violent acts against Muslims and non-Muslims alike. Through support for *madrassas*, mosques, cultural centers, hospitals, and other institutions, and the training and export of radical clerics to populate these outposts, Saudi Arabia has spent what could amount to hundreds of millions of dollars around the world. In some circumstances, this spending finances extremism. Unregulated and massive spending constitutes a paramount strategic threat to the United States.

Although the United States is not and should not be at war with any religion or any religious sect, U.S. policy should affirmatively seek to drain the ideological breeding grounds of Islamic extremism, financially and otherwise.

To do so, we will need more demonstrable cooperation from Saudi Arabia. Although I believe that that cooperation has begun, we must continue to demand greater cooperation in combating the global propagation of Islamic extremism, notwithstanding broader imperatives of our counterterrorism cooperation with the Saudis, and notwithstanding our broader regional objectives. Only by so doing can we be assured of winning the "war of ideas" and defeat the ideology that attracts foot soldiers, supporters and potential donors to extremism.

Mr. ACKERMAN. Thank both of you. First Professor Gause. In your statement you say that the Saudis are animated more by Iranian power than by their sectarian animus against Shi'a generally. You also note that in Saudi Arabia's modern history, they have not used forces outside of their own territory.

The question is, in confronting Iran, which is outside of their territory, how far can we expect the Saudis to go?

Mr. GAUSE. I don't think that the Saudis are going to use their forces against Iran, certainly not outside their own territory.

I think the way the Saudis have dealt with challenges regionally through their history has been to find clients, support those clients financially, with arms, and then diplomatically, to try to roll back their opponents. Whether that be the Nassarist regime of Egypt in the late fifties and early sixties, through the sixties; whether that be the Iranians after the Iranian Revolution, when the impulse to export the revolution was probably the most great. There the Saudis basically confronted their regional opponents by, through indirection.

The Saudis aren't particularly good at direct confrontation. They try to avoid it. Their military forces I think are particularly weak, and they don't seek out that kind of military confrontation.

I think the way that they are dealing with Iran now is actually relatively subtle. It is a mix of support for——

Mr. ACKERMAN. That being said, what are they going to do with $20 billion worth of arms?

Mr. GAUSE. Well, probably what they have been doing with their arms in the past; kind of sitting on them. Hoping that these arms can be used as—not used, but they would act as a deterrent against Iranian thoughts of attacks on Saudi facilities, particularly air attacks.

And secondly, as a political message that the United States is still with Saudi Arabia.

Mr. ACKERMAN. You seemed to indicate in your testimony that if Iran acquired nuclear weapons, that Saudi Arabia might pursue the same course. To your knowledge, is there any truth to the speculation that Saudi Arabia has made a deal with Pakistan to provide cheap oil in return for access to Pakistan's nuclear technology?

Mr. GAUSE. Certainly there is nothing that I know that confirms that, but it is certainly a logical connection. I mean, Saudi Arabia and Pakistan have had a longstanding relationship. Saudi Arabia has had a very good relationship with various Pakistani Governments financing Pakistani Governments through foreign aid.

Pakistani forces have been deployed in Saudi Arabia on a number of occasions. And so that would the natural connection, if the Saudis were looking for an off-the-shelf nuclear capability, I think the first place they would go is Pakistan. Whether there is an existing deal as of right now, certainly nothing on the public record about that, and I don't know.

Mr. ACKERMAN. If the Saudis acquired an off-the-shelf nuclear weapons system, would you be sanguine about our $20 billion arms sale to them, in that case?

Mr. GAUSE. Well, I don't think that the arms sales would—sanguine. I think that the arms sales wouldn't have served one of what I would have hoped would have been their most important

purposes, which would be to avoid proliferation. There would have been a failure, I think.

Mr. ACKERMAN. And if they acquire a nuclear weapons system, would that also be for the purpose of deterrence?

Mr. GAUSE. Yeah. I think that the Saudis are not very aggressive militarily. And I think that their military acquisitions of conventional weapons over the past decades have basically been for deterrent purposes, because they haven't used them outside their borders. Aside for the other reasons that they acquire arms: Domestic, bureaucratic, and individual interests in acquiring those.

Mr. ACKERMAN. So we should have no basic real concerns about an aggressive posture, or use of $20 billion worth of American weaponry and a nuclear bomb system, if the Saudis had one?

Mr. GAUSE. It would be very uncharacteristic. It would be a big, big change in the way the Saudis have dealt with their regional environment. Basically since the creation of the modern——

Mr. ACKERMAN. Acquiring——

Mr. GAUSE [continuing]. Community back in the thirties.

Mr. ACKERMAN. Acquiring them for deterrence would be uncharacteristic, or using them would be uncharacteristic?

Mr. GAUSE. No, using them would be uncharacteristic. Using them outside their borders certainly would be uncharacteristic.

Mr. ACKERMAN. Well, they certainly wouldn't be using them inside their borders.

Mr. GAUSE. Well, conventional arms, maybe. Saudi military forces have——

Mr. ACKERMAN. But that is not what we are looking to sell them, is it?

Mr. GAUSE. Presumably.

Mr. ACKERMAN. Mr. Wolosky, your statements about the Saudi failure to follow through on institutional reforms, as well as a failure to publicly prosecute high-profile individuals from within the kingdom, you note that, as did I, in your view, what is the best way to convince the Saudis to take the necessary steps that we seek?

Mr. WOLOSKY. Sustained and high-level interest from the United States Government.

Mr. ACKERMAN. Sustained and high-level interest.

Mr. WOLOSKY. Yes.

Mr. ACKERMAN. What does that mean?

Mr. WOLOSKY. That means paying attention to the institutional and regulatory framework as it is being developed in Saudi Arabia, purportedly.

Mr. ACKERMAN. But what does paying attention to it mean? Send them a note that we noticed you did this?

Mr. WOLOSKY. Well, I will give you an example. When I co-directed the second task force report of the Council on Foreign Relations on this subject, I had something like 6 months to try to gather up this information about things that were happening or weren't happening in Saudi Arabia.

Sitting at the Council on Foreign Relations in New York, that is not an easy thing to do. It is certainly a very impossible thing to do without any measure of Saudi cooperation.

So my point, Mr. Chairman, is that only by compelling Saudi Arabia as a condition of some policy measure that the United

States might be considering, by compelling the Saudis to disclose information, make accessible these organizations, these institutions, the enforcement of laws and regulations that are purportedly being established, will you have leverage to find out whether or not those changes are meaningful.

Mr. ACKERMAN. Is $20 billion worth of weapons sales leverage?

Mr. WOLOSKY. Absolutely.

Mr. ACKERMAN. So we should condition the weapons sales on that cooperation?

Mr. WOLOSKY. Purely on the terrorist financing side, what I would encourage this committee to do is to seek a status report in respect of the numerous pages of regulatory reforms, institutional and structural changes that are described in that second Council on Foreign Relations Report issued in 2004. They are very voluminous.

Sitting here before you, I can't represent what fully——

Mr. ACKERMAN. The status report from whom?

Mr. WOLOSKY. From the Saudi Government.

Mr. ACKERMAN. And should we have a threshold that if they don't meet a certain threshold of prosecution and stopping terrorist financing, that there is no arms sale?

Mr. WOLOSKY. You may wish to do that.

Mr. ACKERMAN. Well, yes, we may, we may not. I was just asking for your suggestion. Would you think that we should condition this arms sale not just on them giving us a report of what they are doing, but on——

Mr. WOLOSKY. On progress toward certain benchmarks? Yes, sir, I do. I find it unacceptable, if you take the view, as I do, that unregulated charitable disbursements abroad by Saudi charities is a strategic threat to the United States; and then if you find out that a body intended to address that threat was announced and supposedly created in 2004, but as of this year, according to the Congressional Research Service, it is still not operational; I think you have some serious questions to ask, and they have some serious answers to provide to you.

Mr. ACKERMAN. Well, I think we have some serious questions to ask even without the arms sale.

Mr. WOLOSKY. I agree.

Mr. ACKERMAN. Mr. Rohrabacher. Let me call to the attention of the committee, we have about an hour's worth of votes coming up. After Mr. Rohrabacher, we will recess until the call of the chair, when the votes will be——

Mr. ROHRABACHER. Okay. Thank you very much, Mr. Chairman.

Do you really believe that the people, or that the financial resources that are going into the insurgency in Iraq and into the very sophisticated global terrorist network are coming from donations that go into the box at the mosque? Do you really believe that? Or do you believe that the Saudi charities and the other type of charities that we are talking about are nothing more than a front for very large financial backers of these terrorist movements and the insurgency in Iraq?

Mr. WOLOSKY. I think it is both.

Mr. ROHRABACHER. So you think that—I would suggest, and how about yourself?

Mr. WOLOSKY. Congressman, I think that in terms of the money going into Iraq, what we now anecdotally is that it tends to be taken in suitcases by individuals. And so it is not a huge amount of money. It can go a long way in a situation like Iraq, but not a huge amount of money.

In terms of the larger-scale charities around the Muslim world, I don't see them as a front for organized interests. I think that there are wealthy people in Saudi Arabia who support radical interpretations of Islam.

Mr. ROHRABACHER. Right.

Mr. WOLOSKY. And they can get that money there all sorts of ways. In the past it might have been through these charities. They can also wire money.

Mr. ROHRABACHER. Or perhaps they could fly a private jet from Saudi Arabia to Syria.

Mr. WOLOSKY. Sure.

Mr. ROHRABACHER. A private jet, which they own because they are billionaires.

Mr. WOLOSKY. Right.

Mr. ROHRABACHER. I think we have let the billionaires in Saudi Arabia off the hook. And the bottom line is, as these poor people who give a few, a pittance to the poor box at the mosque are not the people we should be looking at.

And like you said, none of these high-profile, Mr. Chairman, none of the high-profile people that are very substantial, have substantial wealth, have been prosecuted whatsoever in Saudi Arabia. Yet we know the long-term relationship that they have had. We know that these are the very same people that are providing huge amounts of money to set up a madrassas system of education in Pakistan, which is teaching young people not how to do mathematics, and not how to live decent lives, but instead how to be fanatics and to give their lives for the cause.

I would suggest, as you have, Mr. Chairman, that there needs to be some very significant actions taken by the Saudi Government before we give them the credence of providing them sophisticated, new sophisticated weapons systems. They need to do something to prove to us that they are not in a secret coalition, or at least turning the other way, while a coalition uses Saudi Arabia, its resources, and its territory to kill Americans, and to try to undermine the West by terrorizing it.

I would just suggest that in Guantanamo, a large number of the people in Guantanamo are Saudis. Suicide bombers, a large of them in Iraq right now are Saudis. We have captured Saudis; they are trying to kill our troops in Iraq.

We need to interrogate these people and go back up the chain, and find out who sent them there. And if the Saudi Government doesn't act, we definitely shouldn't be providing them weapons. In fact, what we should be doing is making sure that they know that we are willing to act ourselves if those people are engaged in a conspiracy to kill Americans.

One last, here is the question. Should the United States, if indeed it becomes evident, which I think it is, that the Saudi Government is either turning a blind eye or is in some way with a secret alliance with these terrorists, including the ones who are killing

our troops in Iraq, the insurgency movement, should we be willing to work to commit an action, a covert action possibly, to actually bring home the point that that will never be accepted by the United States?

Mr. WOLOSKY. I think the answer to your question is yes. I think if we have evidence that any government is supporting terrorists or trying to kill Americans, we have to take action against them.

Mr. ROHRABACHER. There you go. And, Mr. Chairman, I would suggest that this administration—and I can't talk about the Clinton administration before him, because I think they suffered the same problem. We have not been able to take the actions necessary——

Mr. ACKERMAN. Which Clinton administration?

Mr. ROHRABACHER. That is right, which one? Who knows what may be in the future. But let us hope that we have an administration in the future that will deal with this in a more forceful and aggressive and brave defense of America's interests and the interests of the West, than what the current administration and the past Clinton administration has done.

Thank you very much.

Mr. ACKERMAN. We will have the panel respond in greater fullness upon our return. The committee stands in recess, subject to recall by the chair.

[Recess.]

Mr. ACKERMAN. The subcommittee will come to order. We will resume with Mr. Bilirakis.

Mr. BILIRAKIS. Thank you, Mr. Chairman. I appreciate it very much.

Professor Gause, you state on page 6 of your testimony while the Saudi regime is stable, it faces important domestic challenges, such as the continuing appeal of radical jihadist ideas among the Saudi population. You enumerate a whole variety of actions that the kingdom has taken to blunt and curtail the appeal of this jihadist mentality, such as condemning Osama bin Laden, or reeducating citizens who have been arrested for involvement in radical activities, and using the media to ridicule radical Islamists.

However, as General Petraeus testified last week, Saudi Arabia is the largest country in terms of foreign fighters fighting in Iraq against the coalition forces.

Why is this the case? Is Saudi Arabia not doing enough? If not enough, what else should it be doing to ensure that Wahabism will be contained? And can the United States assist in helping Saudi Arabia stem the flow of fighters into Iraq?

Mr. GAUSE. Right. I think that, in general, the appeal of radical jihadism in Saudi Arabia dates back for a couple of decades. It really does stem, I think, from the enormous support, both government and public, that Saudi Arabia gave to the jihad in Afghanistan against the Soviet Union in the 1980s. That is really when jihad became cool in Saudi Arabia.

And the Saudi Government, rather than confronting this ideology in the nineties, when it was diverted out of Afghanistan and Bosnia, Chechnya, and other places, basically chose to turn a blind eye; chose not to take on the hard political task of confronting an ideological movement which it itself had helped to foster. And

frankly, we had helped to foster in the 1980s, when it was against the Soviet Union in Afghanistan.

And really they didn't start taking this seriously as a political threat and a political phenomenon until it came home to them in 2003. I mean, 9/11 was our wake-up call. For them the wake-up call wasn't until May 2003, when al-Qaeda, in Saudi Arabia, started to attack Saudi targets domestically.

And so I just don't think that you can turn back an ideological trend that is a couple decades old in 5 years.

I think the Saudis are doing some important things. I don't think there is that much that we can do to help them. I mean, I think that they understand their own society better than we do.

I think that what we can do is continue to impress upon high-level Saudi leaders that this is really important to us, and they have to keep working at it. You know, for years their domestic politics wasn't part of our conversation. Now it has to be part of our conversation. And if part of that conversation is impressing upon them that they have to do things domestically, or continue to do things and redouble their efforts domestically, in order for us to maintain the kind of relations we had before, including arms sales, I think that that is a perfectly legitimate thing.

I don't think there is any advice we can give them. I mean, they know their society a lot better than we know their society. But I do think that this is the new reality; that they have to realize that the things that happen domestically in Saudi Arabia are now part of the bilateral relationship.

Mr. BILIRAKIS. Thank you. Thank you. I have one more question if it is okay, Mr. Chairman.

Mr. ACKERMAN. Surely.

Mr. BILIRAKIS. Mr. Wolosky, thank you for your testimony here today and your service to this nation.

There has been a tendency for us to move away from characterizing the War on Terror for what it really is: A war against radical Islam or Islamo-fascism. Some, especially those in major media outlets, believe that those terms only work to incite hatred against Islam.

In your testimony you stated, and I quote:

> "Although the United States is not, and should not, be at war with any religion or any religious sect, U.S. policy should affirmatively seek to drain the ideological breeding grounds of Islamic extremism, financially and otherwise."

Did you believe then that unless the United States entirely vanquishes radical elements of Islam, we can't hope to win the War on Terror?

Mr. WOLOSKY. I think it is critically important, from the standpoint of our national interests, to shut off the financial sources that are supporting the propagation of Islamic extremism. And that it is certainly the case that much of that wellspring springs from Saudi Arabia.

That is why, as Professor Gause has said, the elements of what is happening internally in Saudi Arabia are critically important to our ability to fight and win the War on Terror.

Terrorist financing and the support of extremism are much more a, terrorist financing is much more a foreign policy problem than it is a domestic problem. There has been a lot of focus in the Congress and in elsewhere on regulations and other steps that we can or should, or should not, be taking within our domestic banking and regulatory regime. But I would submit to this committee that it is vitally much more important what is happening in Saudi Arabia with respect to the funds that are exiting Saudi Arabia to support and to propagate extremism.

Similarly, what actions the Saudis are or are not taking against the people who we and they know are the principal supporters of these activities. And to go back to a prior point, there are identified specific individuals in Saudi Arabia today, living freely, who are much more significant than the people who are going to the mosques and dropping their riyals into the box. They are much more significant because of the quantity of funding that they are providing, and they are much more important because their status in Saudi society says a whole lot about where the Saudi Government is, and the messages that it is conveying to its own population.

So for instance, for the Saudis to allow specific individuals to remain free does not promote a culture of accountability, and it does not deter future conduct that we believe must be deterred in order for the spigot to be turned off.

Mr. BILIRAKIS. Thank you very much. Thank you, Mr. Chair.

Mr. ACKERMAN. Mr. Scott.

Mr. SCOTT. Thank you, Mr. Chairman. Let me first ask you about Saudi Arabia and Iran. How would you categorize each of these nations and their interactions with each other today?

Mr. GAUSE. The Saudis and the Iranians are competitors for influence in the Middle East. But at the same time, both of them are trying to avoid, it seems to me, a direct confrontation.

The Saudis are trying to avoid a direct confrontation with Iran, because Iran is more powerful than Saudi Arabia. The Iranians are trying to avoid a direct confrontation with Saudi Arabia because the Iranians know——

Mr. SCOTT. Let me, may I——

Mr. GAUSE. Sure.

Mr. SCOTT. If you don't mind. I want you to continue that, but how do you come to the conclusion, on what basis do you base Iran being more powerful and influential than Saudi Arabia?

Mr. GAUSE. Much bigger army, much bigger population. Representing an ideology that has some popularity in the Arab world. Support for groups like Hezbollah and Hamas. And I think that the Iranians feel that, the Iranians are portraying themselves as the country that is standing up to the United States in the Middle East, and that gets them some amount of support, without a doubt.

But I think the Iranians are also very leery about a direct confrontation with Saudi Arabia, because Iran is a Shi'a country. And while there is a large Shi'a population in the Gulf Region, in the vast Muslim world, the Sunnis are the overwhelming majority.

And if it comes down to a Sunni-versus-Shi'a confrontation, the Iranians lose out. You know, the Iranians have never said we are a Shi'a revolution. They have also said we are a Muslim, we are

an Islamic revolution. And they would prefer not to have the Saudis try to mobilize Sunni Muslims against them.

So they are competing for influence, avoiding direct confrontation, at least now. I mean, the President of Iran was in Saudi Arabia just earlier this year on a visit. The Iranians and the Saudis have consulted on particularly the Lebanese crisis, where the Saudis are backing one faction, and the Iranians are backing Hezbollah. The Saudis are backing the Lebanese Government of Prime Minister Sinyor.

So I think it is actually a very subtle kind of contest between the two.

Mr. ACKERMAN. If the gentleman would yield and allow me to piggyback on his question?

Mr. SCOTT. Please do.

Mr. ACKERMAN. How much of this is not wanting to make it a Sunni versus Shi'a or Shi'a versus Sunni, but not making it an Arab versus Persian?

Mr. GAUSE. The Saudis can play that card very successfully, and the Iranians are afraid of it, all right? The Iranians want this to be in the category of Islam.

If the Saudis—and they have kind of said, the King has said, look, there are Arab issues that outsiders shouldn't interfere with. I think that was very much directed at Iranian involvement in the Palestinian issue, Iranian involvement in Lebanon.

And I think the Saudis have both those cards that they kind of wave in front of the Iranians. Look, if you guys push too far, we will mobilize against you on both Arab-versus-Persian and Sunni-versus-Shi'a directions.

Mr. SCOTT. Just on another line of questioning. It seems to me that Saudi Arabia treats, if they capture terrorists, known terrorists, particularly al-Qaeda, that they don't prosecute them, but they allow them to melt back into the population. Is that a true assessment?

Mr. GAUSE. Well, some amount of them they kill. And quite a few of them, quite a few of the al-Qaeda in the Arabian Peninsula, opponents of the regime have died in armed conflict with the regime since 2003.

A number of people who they have arrested, they have tried to "reeducate;" send them back into society with reformed views of Islam. Non-jihadist, if you will.

That program has had some limited success. But also, just this year, the Saudis, in April, arrested 172 people accused of plotting to overthrow the regime. And the leader of that group was someone who had been through the reeducation process, and had been released. So it is certainly not fool-proof.

But judicial proceedings in Saudi Arabia are not open, for the most part. And a number of these people who have been arrested undoubtedly have gone through these judicial proceedings, and many of them are still in custody.

But you are right, Congressman, that the Saudis have this program to try to reeducate and put people back into society.

Mr. SCOTT. Would you say that is because of the influence of al-Qaeda in Iraq, and the fertility of the Islamic, the radicalism of Islam in that region? I mean, I have always felt that we have never

really looked critically enough, with enough of a jaundiced eye, at Saudi Arabia as a major player, as an embryonic feeder of terrorists. Al-Qaeda comes out of there. The lead terrorists, Osama bin Laden comes out of there; as a matter of fact, comes out of there from a very, very influential family.

And I am just wondering, is that a part of it? Is that because it is such a part of the culture and the fabric there that they go easy on them?

Mr. GAUSE. I don't think so much that it is they want to go easy on al-Qaeda. I mean, the Saudi Government has been explicit that they now see al-Qaeda as one of the biggest threats to their own security. And I think that they are taking them on to the extent that they think is practical.

I do think that the origins of radical Sunni jihadism in the Middle East today, Saudi Arabia has played an important role in the development of that.

I think it does stem back, as I said earlier, to the glorification of the notion of jihad in the eighties, which was encouraged by the Saudi Government in Afghanistan. Encouraged by our Government, too. When we were fighting the Soviet Union, we were encouraging Arab volunteers to join the Afghans to fight the Soviet Union, under the banner of Islam, in Afghanistan in the 1980s.

This was an enormously successful political program. There hadn't been a political program in the Arab world to gain a military success in decades. And yet here is a political program that not only defeats a superpower, in their own eyes defeats a superpower, it destroys a superpower. In 1991, the Soviet Union collapses.

So this brand of radical jihadism got a lot of credibility, a lot of street cred, in Saudi Arabia. And it became very attractive. And it was diverted, these interests were diverted toward Bosnia and Chechnya, causes that were very popular in Saudi Arabia in the nineties, because they were seen as Muslims being attacked by non-Muslims.

And I think that this got out of control of the Saudi Government. And the Saudi Government chose not to confront it because they thought it would be politically difficult. And it wasn't until it really came home to them, within Saudi Arabia itself, that they said we have to confront this.

One could argue about the effectiveness of the confrontation. On the security side, I think it has been fairly effective. On the ideological side, I think they have a lot more work to do. But they are working against over two decades of the development of this viewpoint, this ideology. And I think it is going to take a while to delegitimize it.

Mr. SCOTT. How do you see all of this playing out? I mean, over there in the Middle East. I mean, it seems to me you have got a basic Shi'a-Sunni-Persian-Arab-based four-legged problem here, a variety of different levels going on.

What is the general feeling within Saudi Arabia, for example, with Iran's march toward acquiring nuclear power? On two levels.

First, do they actually believe that what Iran is saying is true, that it is not for weaponry? Or, two, do they believe it is for weaponry? And should Iran acquire nuclear capacity and a nuclear

weapon? What does that do to the dynamics in the Middle East, and particularly within Saudi Arabia?

Mr. GAUSE. I think, in Saudi Arabia, we have to consider this at two levels.

At the elite level, there is quite a bit of fear about the Iranian nuclear program. They don't believe the Iranian denials that this is just for peaceful purposes; they believe the Iranians are trying to acquire a nuclear weapon. And I think that at the elite level in Saudi Arabia, it is considered a major security issue.

At the popular level in Saudi Arabia, to be perfectly frank, it is not a major issue. And people who do think about it tend to be supportive. They tend to see Iran as another Muslim country. They say the Israelis have them, the Indians have them, why shouldn't the Muslim country have them.

And so you get a real difference, I think, in Saudi Arabia, between the elite level, which is extremely concerned about the Iranian nuclear program, and the popular level, which frankly is, if not apathetic, somewhat supportive.

I think that if the Iranians do go nuclear, if there is a nuclear breakout, Saudi decision-makers are faced with a difficult situation. There will be those in Saudi Arabia who will say, "Look, we have got to get these things, if only for deterrent purposes. If we are going to maintain our standing in the region, if we are not going to let the Iranians dictate to us. If we are going to be able to compete on the level of political influence, we have got to get them." And they will look to Pakistan.

I think others will say look, if we do that, our relationship with the United States is probably over. And I think that one of the issues that will come up is how much——

Mr. SCOTT. Is Saudi Arabia saying that?

Mr. GAUSE. Yes. Because I assume that we would be extremely opposed to nuclear proliferation in Saudi Arabia. And we should be.

And I think that that debate within the Saudi elite will partially rest upon how reliable they think their security relationship with us is. If they think they can count on us, maybe they will decide that they can forgo these nuclear weapons, and they can count on us to support them if they have a confrontation with Iran.

If they don't think that we are a reliable partner, then I think that the incentives for them to go nuclear themselves go up.

Mr. SCOTT. Very interesting, very interesting and revealing comments. Very sobering, too.

Let me ask you, if I may, Mr. Chairman, just a series of questions. Some of these may—I have been in and out.

On the Gulf security dialogue, the GSD arms sale program, how is that going? I mean, are there any problems? Will it move along unimpeded?

Mr. GAUSE. If the Gulf security dialogue is among the Gulf States, among the states in the Gulf Cooperation Council—Kuwait and Bahrain, you know—those countries talk all the time. Because they share all sorts of interests. They share a common form of government. They are in this international organization called the Gulf Cooperation Council.

On the issue of actual integration of their military forces, I think it is probably a little less, there is probably less progress than one

might expect, given their common interests. Because the smaller states especially, I think, are jealous of their independence. They worry, not enormously, but they do worry about Saudi power, and they worry about Saudi influence. And they want to keep some distance from Saudi Arabia and maintain their own military forces.

So if the question is about the ability of Saudi Arabia, Kuwait, Oman, Bahrain, Kutir, the United Arab Emirates, all of whom receive American arms, to coordinate their military systems, there hasn't been an enormous amount of progress on that scale.

Mr. SCOTT. And then the Saudis have their Saudi Naval Expansion program as a part of that.

Mr. GAUSE. Right.

Mr. SCOTT. Are you familiar with the literal combat ship within that?

Mr. GAUSE. No, I am not. Sorry.

Mr. SCOTT. I just wanted to know. It just so happens that that is of significant importance to me and my district, since Lockheed is there and they make that. So I want to make sure that that is moving along in good shape.

Mr. GAUSE. Right.

Mr. SCOTT. If you might make a mental note of that——

Mr. GAUSE. Certainly.

Mr. SCOTT [continuing]. To keep my office apprised, I would like to see that move along unimpeded.

Mr. GAUSE. Certainly.

Mr. SCOTT. Now, I asked you about that. Where is Saudi Arabia now, in terms of its relationship with Israel?

Mr. GAUSE. Well, the Saudis have reiterated their support for a plan that King Abdullah put forward some years ago when he was Crown Prince, called, surprisingly enough, the Abdullah Plan. In which the Saudis said that basically the Arab world would recognize Israel, if Israel withdrew to the boundaries that it had before the 1967 War; before it acquired the West Bank, the Golan Heights, and the Gaza Strip.

This was something of an advance within Saudi policy, but certainly wasn't an advance on where Arab-Israeli negotiations were. I mean, the Palestinians and the Israelis in 2000 got way beyond that point, although they weren't able to, obviously, to find common agreement. They were beyond those kinds of generalities, and they were negotiating very specific modalities for a Palestinian state. Territorial transfer with Israel, all sorts of things like that.

So the Saudis are a little behind the curve on where Arab-Israeli negotiations had been. But in terms of where the Saudis had been, they have come quite a ways, to an open acceptance of the idea of a diplomatic exchange with Israel.

A high-ranking Saudi official met with high-ranking Israelis earlier, end of 2006, beginning of 2007. A lot of speculation that that was Prince Bandar. They have common interests in Lebanon about Hezbollah, to prevent Hezbollah from becoming stronger. They see Iran in common as a threat.

But I don't think that that is going to convert to the Saudis taking dramatic steps to push the Arab-Israeli peace process forward. The Saudis have basically hung back on this most recent initiative

by the administration to try to put together a peace conference in November, to bring Arabs and Israelis together.

The Saudi Foreign Minister just last week said that there have to be a number of very specific guarantees, basically, that would come out of that conference before Saudi Arabia would participate. So I don't see the Saudis willing to take dramatic steps, say on the model of President Sadat of Egypt traveling to Israel. I don't see the Saudis taking dramatic steps to push the Arab-Israeli peace process forward.

Mr. SCOTT. Let me ask you this. May I ask one more question, Mr. Chairman, very brief? It will only take 1 second. Yes, I just had one more, if I could.

It was a lead-up to this question, and I ask this. Iran has said that they want to attack Israel. And I am just saying, I mean, what would be the reaction in Saudi Arabia? Is Saudi Arabia, would you say in your opinion, the most influential Sunni nation?

Mr. GAUSE. One of.

Mr. SCOTT. Okay. What would be the reaction to that possibility?

Mr. GAUSE. Of an Iranian attack on Israel.

Mr. SCOTT. Yes. Or what probably would be more likely would be an Iranian-supported attack.

Mr. GAUSE. I think that at the elite level, the Saudi Government would see this as a real problem. Therefore, stability, basically.

Mr. SCOTT. Would they support Israel?

Mr. GAUSE. Not publicly. Because at the popular level, I actually think in Saudi Arabia, as in unfortunately much of the Muslim world, there would be popular support for Iran in a confrontation with Israel.

I think that what the Saudis would fear the most is that in an Israeli-Iranian confrontation—it could spill over borders into Lebanon, it could spill over into other parts of the Arab world—that there would be Arab public opinion mobilized against Israel. That the Iranians would take advantage of that. The Iranians would be seen as the leaders of this movement, and that would cut out Saudi influence and could help destabilize Saudi influence, and maybe even Saudi Arabia domestically. That would be a very dangerous thing for the Saudis.

But they would be, I think, at the elite level, somewhat paralyzed as to what to do.

Mr. SCOTT. Well, thank you. As the chairman said, we might get another round, so I will yield.

Mr. ACKERMAN. Mr. Bilirakis.

Mr. BILIRAKIS. Thank you, Mr. Chairman. One question. I recently traveled to the Anbar Province in Iraq. And my question is, do you feel that Saudi Arabia has had a positive influence on some of these Sunni tribal leaders in fighting against al-Qaeda?

Mr. GAUSE. At least from the public sources, which is the only thing I have access to, Congressman, we don't have any hard evidence that the Saudis were involved.

But there is an interesting kind of simultaneity. In a change in Saudi policy, in the emergence of these, the salvation councils, like the Anbar Salvation Council, the tribal groups that have started to cooperate with us fighting against al-Qaeda.

The Saudis had basically been very passive on Iraqi policy from the time of the war in 2003; let us say right up until toward the end of 2006. And then for a number of reasons, they started to get more active, I think largely because they thought that we might be leaving, and that they would have to take over, so to speak; that our presence there had prevented the worst thing from happening from their perspective, which is Iranian domination of Iraq. And they thought that maybe we were going to be getting out.

And so I think that they started, there were some signals that they started to be a little bit more active, in terms of their contacts with players in the Iraqi game.

Part of that was supporting politicians who were trying to put together an alternative parliamentary group to Prime Minister Maliki, to try to put together a replacement government to pressure al-Maliki out of office. The Saudis were definitely backing that.

But it is interesting to note that these tribal awakenings which have occurred almost simultaneously with this change in Saudi policy are very much in accord with a lot of elements of Saudi policy. They are the natural kind of client group for Saudi—the natural contact for Saudi Arabia would be Sunni Arabs. And particularly tribal groups, many of which crossed the border between Saudi Arabia and Iraq.

In other words, you have members of the tribe on one side in Saudi, and members of the tribe in Iraq. Some of the big tribes, like the Shammar, certainly crossed the border.

Secondly, these tribal awakenings have been taking on al-Qaeda, and Saudi Arabia does see al-Qaeda as a threat to its own domestic security and stability.

So while I don't see any conclusive evidence that the Saudis are pushing this, it is an interesting coincidence that this more activist Saudi approach and the emergence of the salvation groups in Sunni tribal areas happened roughly at the same time.

Mr. ACKERMAN. I would like to follow up on a question, if I might, on the Israeli side of the Saudi question.

When the administration first proposed its proposed arms sale, they basically announced simultaneously a $30 billion package for the Israelis, and a $20 billion package for the Saudis, plus. I am not sure who else is in the plus, but part of it is the Saudis, so we don't know that that whole $20 billion is to the Saudis; or that the Saudis indeed are looking to buy $20 billion worth, and the rest is for some other countries in the area.

There was an almost orchestrated immediate response from Israel, from the Prime Minister, that was not an endorsement of the announced Saudi part of the deal. But it certainly was an indication that there was a green light there, that there would be no objection.

Is there a belief that the Israelis were consulted on that? Why would or would not the Israelis agree or object? And is it an indication of a possible offering of assistance in fostering a better Saudi-Israel deal on the table down the road? I would like to ask that of each of you. Who would like to go first? Mr. Wolosky?

Mr. WOLOSKY. My speculation, and I would highlight the fact that it is pure speculation, is that the Israelis viewed it through

their Iran lens, rather than their Saudi Arabia lens. In other words, they viewed and agreed with what I suspect would be the administration's position, that this was part of a proposed sales to Saudi, part of a broader initiative to curtail Iranian regional power.

And if the program were pitched in that way credibly to the Israelis, I could see the Israelis, if not supporting, then at least not opposing the administration's proposal.

Mr. ACKERMAN. Mr. Gause?

Mr. GAUSE. Lee is absolutely right on this, I think. And we do know that there have been contacts between Israelis and Saudis. And I think that in Jerusalem there is some hope that, if not a common, at least parallel strategic views of Iran might bring Saudi Arabia into a more open relationship with Israel.

That I think is a bit too optimistic. But certainly there is a sense in Israel that Iran is the big strategic threat. And if arms deals to Saudi Arabia and other Gulf States, other Arab States——

Mr. ACKERMAN. What you are saying is it is not necessarily the enemy of my enemy is my friend, but the enemy of my enemy is not necessarily my enemy.

Mr. GAUSE. I think that is about it.

Mr. ACKERMAN. I guess that does it for that.

Mr. GAUSE. And maybe we can do business with them down the line some time.

Mr. ACKERMAN. Mr. Wolosky, a lot of money flows out of the kingdom to various terrorist organizations around the world. To your knowledge, do the Saudis make a distinction about how aggressively they pursue some of the financiers, as opposed to some of the others?

Meaning, are they more concerned, and therefore more aggressive to those who are threats at home than to the outside? Which I presume is the case. But less aggressive when it comes to those sums of money that flow to al-Qaeda affiliates in the Balkans, out to Asia, or elsewhere. Do they make distinctions between those other places?

Mr. WOLOSKY. Sure, I think they certainly do. And I think it is certainly the case that they have zero tolerance for activities, financial or otherwise operational, in Saudi Arabia itself. And then certainly with respect to the rest of the world, I think distinctions are drawn.

And just to follow up on the last line of questioning, they have certainly drawn important distinctions in recent history with respect to Palestinian rejectionist groups which engage in terrorist activities, and which are considered by the United States Government to be terrorist organizations, such as Hamas.

Earlier this decade, the Saudi Government officially supported aspects of the second intifada. And in that case, in that instance, certainly drew an important distinction between terrorist organizations operating against Israel and terrorist organizations operating against the United States and other countries. They did it quite openly.

Al-Qaeda financing today, and even historically prior to 9/11 was somewhat opaque in Saudi Arabia. By contrast, support for the second intifada was very open; was through official Saudi committees,

official governmental Saudi committees. And it was televised on telethons, dedicated bank accounts opened up, et cetera, et cetera.

So certainly there had been distinctions drawn with respect to how the Saudis view, and how they sanction, different groups, depending on where in the world they operate.

Mr. ACKERMAN. You seem to have pretty concise rules with how we deal or give in to the demands or desires of other countries, such as North Korea, where in order for them to get recognition—and we will do nothing aside from provide aid or sit down and talk with them—they have to do one, two, and three, specific one, two, and three. Or the way we deal with Hamas, in saying before we deal with you, you have to do specifically one, two, and three, which we mentioned before.

Why is it, if we are proposing to do up to a $20 billion arms sale with the Saudis, are we so vague about what we are asking? Why will we not say you have to do one, two, and come to the conference in November, and not support terrorist organizations? A, B, and C?

Mr. WOLOSKY. I personally view Hamas as a terrorist organization. The Saudis don't. And I suspect——

Mr. ACKERMAN. Yes, but we don't have to ask them to do things that they already agreed to.

Mr. WOLOSKY. Sure. I think that, I mean, certainly both the Clinton and Bush administrations have moved to put pressure on the Saudis, and even the Europeans, to be frank, to view Hamas as a terrorist organization.

They haven't really succeeded with the Saudis, and they have with the Europeans. Hamas is viewed as a liberation movement within Saudi Arabia.

Mr. ACKERMAN. Well, the whole point of this hearing, I suppose, is that indeed there are many areas in which we and the Saudis see things differently, and have a completely different perspective. And if the idea is that we are trying to get them to see things our way, and we are giving $20 billion worth of something that they want, why do we then say well, they just don't see things our way? Why don't we just keep giving them everything, and just keep saying they are never going to see anything our way, because they don't see things our way?

Shouldn't we be leveraging it? I mean, you know, I don't think they think we are a terrorist organization, or maybe they do. But why won't they come to the conference in November? Why don't we leverage that? That should be an easy ask.

Mr. WOLOSKY. I happen to agree with you.

Mr. ACKERMAN. It seems that we are rather timid with our friends in what we ask, and rather generous in what we supply or are willing to sell.

Mr. WOLOSKY. I happen to agree with you. It is a very complicated relationship. We are dependent on their assistance——

Mr. ACKERMAN. It doesn't seem complicated from their side. It is give nothing and get what you can.

Mr. WOLOSKY. It is complicated to the extent that if United States policymakers are offered an opportunity to receive Saudi cooperation on a particular note of financing al-Qaeda, and that cooperation was likely to lead to arrests or other elimination of al-

Qaeda nodes or terrorists, then that fact would, I would think, have to be seriously considered in the context of balancing equities.

It is not to say I agree with the Saudi position on Hamas, but it is to say that sometimes the decisions that policymakers face are complex ones.

Mr. ACKERMAN. I have a final question. I think it is the final question. If $20 billion worth of desired arms sales doesn't do it, what will it take to get the Saudis to see things our way? How do you tip that scale?

Mr. GAUSE. I don't think they are ever——

Mr. ACKERMAN. I mean, you know, when the Iraqi Army was leaving Kuwait and marching in their direction, you know, they fought the war with our soldiers through the Riviera, on the Riviera, I mean. If that wasn't a winsome move on our part, and they weren't enamored of us and grateful for pulling their royal chestnuts out of the fire, you know, my question is, what does it take to tip the balance?

Mr. GAUSE. I do think that one of the reasons that the relationship is so frustrating is because it is a mix of opposing viewpoints and similar viewpoints. And I think we do get things from the Saudis. And we do worry that if the Saudis weren't there, it could be worse.

You know, right now we have a hostile relationship, a directly hostile relationship, with Iran.

Mr. ACKERMAN. A lot of the things we get from them seem to be the things that they do in their best interest. Like go fight the terrorists that want to blow them up.

Mr. GAUSE. Right. A lot of the things they get from us we do in our interest. I don't think that we sent troops to Saudi Arabia in 1990 because we loved the Saudis. I think we sent troops to the Gulf in 1990 because we didn't want somebody we didn't like—Saddam Hussein—to control. If he controlled Kuwait, he would have 20 percent of the world's oil resources, and maybe be able to intimidate the other 25 percent in Saudi Arabia.

Mr. ACKERMAN. So I guess we should be grateful to the Saudis for enabling us to do that?

Mr. GAUSE. Not grateful. I think that we should nurture a relationship in which we use our leverage to get what we want.

I think one of the things that we have a problem with with the Saudis is prioritizing what we want, all right? I think that if we prioritize things, if everybody who goes out and talks to them is on the same page—these are the three most important things that we want—and we keep telling them that over and over and over again. And we leverage them with things like arms. Then I think that we can get what we want.

Now, if we give them a list of 20 things, we probably can't get all 20, all right? And if we go out and we say this is our most important goal today, but 2 months later somebody else goes out and says no, no, no, now this is our most important goal; frankly, they won't take us seriously.

I think that if we get on, if we prioritize what we want, particularly in terms of terrorist financing, all right? Give them what we know and say we want these people; we want you to do something about these people. But don't do it once, do it at every meeting.

Mr. ACKERMAN. Are you suggesting we are not consistent? Is that part of the problem?

Mr. GAUSE. I think that because we want different things at different times, we have a problem doing this.

Mr. Chairman, you, yourself, mentioned getting the Saudis to come to this meeting in November. Well, you know, that wasn't on the agenda a year ago, and maybe a year from now nobody will care.

But if we go out and say boy, the most important thing right now for us is you coming to this meeting, then they might come to the meeting, but the other things kind of fall down further down the list.

I think that you have got to keep riding them, and you have got to keep the pressure on. And you have got to do it consistently. And then you use your leverage, as you indicated. And we do have levers with them. But I think it has got to be consistent, and they have got to hear it repeatedly to convince them that we are serious.

Mr. ACKERMAN. Well, it is not the meeting that is the most important thing, but the agenda of the meeting, which was on our list a year ago, and remains on our list. And that is the Saudis to use whatever consider influence they do have in the region—and it is much—to exert the kind of leadership to resolve, or help resolve, the situation between the Israelis and the Palestinians in some reasonable fashion. Just attending the meeting and not doing anything is not a win for us, and it is totally meaningless.

Mr. GAUSE. Right.

Mr. ACKERMAN. But it is basically a tactic to try to get to the point that we are looking to get them to.

Mr. Wolosky?

Mr. WOLOSKY. Sure. Just to reinforce some of those points. I think if you take Stuart Levey's remarks from last week, for instance, the Under Secretary of the Treasury, and particular individuals who have yet still not been incarcerated or otherwise put out of business, I think that Under Secretary Levey has done a remarkably effective job on this issue. And by continually bringing up these individuals, is doing a service to our nation.

However, if, as Greg suggests, that item is not no. 1, no. 2, no. 3 on our list, and other national priorities such as Saudi cooperation in the Israeli-Palestinian issue are, then frequently you don't get to item 5 and 6 on the agenda.

And that, in large part, has been the problem with the issue that you have asked me to testify today on. The terrorist financing issue frequently is not at the top of the agenda, and frequently it is not raised at the Presidential level, which is the level which has the most resonance with the Saudis.

Mr. ACKERMAN. I think what we are getting from your collective message is that in order to get a more focused response from the Saudis, we have to have a more focused ask?

Mr. WOLOSKY. I agree.

Mr. ACKERMAN. And sharpen our list of priorities and benchmarks.

Mr. WOLOSKY. And on the terrorist financing issue, I think that there are rather clear benchmarks. Either those benchmarks are achieved or they are not achieved.

Mr. ACKERMAN. Well, there being no more questions to ask of no more members, let me thank both of you for participating in today's hearing. It has been very, very helpful to our committee in our deliberations in the formulation of policy.

Thank you very much.

Mr. GAUSE. Thank you.

Mr. WOLOSKY. Thank you.

Mr. ACKERMAN. The hearing is adjourned.

[Whereupon, at 4:24 p.m., the subcommittee was adjourned.]

APPENDIX

MATERIAL SUBMITTED FOR THE HEARING RECORD

PREPARED STATEMENT OF THE HONORABLE SHEILA JACKSON LEE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Thank you, Mr. Chairman, for convening today's important hearing. Our traditional partnership with the government of Saudi Arabia, previously solidified by clearly defined shared interests during the Cold War, has become increasingly complicated in recent years by the rise of extremist terrorism. May I also thank the subcommittee's Ranking Member, and welcome our two distinguished witnesses: Mr. F. Gregory Gause, III, Associate Professor, Department of Political Science, University of Vermont, and Mr. Lee S. Wolosky, Partner, Boies, Schiller & Flexner LLP. I look forward to your informative testimony.

Mr. Chairman, the traditionally strong U.S.-Saudi Arabia relationship has changed since the end of the Cold War. While we cannot deny that increasingly serious questions and disagreements have arisen between our two countries, we also retain many common goals and share a number of significant concerns. I believe that we, as a nation, have much to gain through continued constructive engagement with Saudi Arabia, even as we emphasize greater protection for human rights and expanded personal and religious freedoms.

Mr. Chairman, we all share significant concerns about the stability of the Middle East. Recent American actions in the region have won us few friends, with reports indicating that the invasion of Iraq has only fueled Islamic extremism. Like the United States, Saudi Arabia has expressed significant concerns about regional security, sharing our concerns about recent belligerent behavior by the Iranian regime. The Saudi government, like many in this Congress, is concerned about the future of Iraq, and the ongoing regional instability created by that nation's descent into civil war.

Through cooperation with the United States, the Kingdom of Saudi Arabia has made significant headway in addressing its domestic terrorism problems. According to counterterrorism experts, the Al Qaeda in the Arabian Peninsula (AQAP) organization no longer poses a significant threat to the Kingdom's stability.

However, terrorism and terrorist financing remains a substantial and legitimate concern. In addition to strengthening counterterrorism mechanisms, it remains necessary to address the underlying causes of Saudi terrorism and support for terrorism. Reports, including the State Department's 2007 International Narcotics Control Strategy Report, have indicated that individuals and businesses based in Saudi Arabia have long been the most important funding source for Al Qaeda. While it is crucial to note that the 9/11 Commission found that there was "no evidence that the Saudi government as an institution or senior Saudi officials individually funded [Al Qaeda]," the Commission report also stated that Saudi Arabia "was a place where Al Qaeda raised money directly from individuals and through charities," and that "charities with significant Saudi government sponsorship" may have diverted funding to Al Qaeda.

The Saudi government has often verbalized its commitment to cooperating with the United States in halting this flow of funds to terrorist groups. While the government openly and financially supports Islamic and Palestinian causes, it also maintains that it does not provide official support to any terrorist organization. I congratulate the Saudi Arabian government for its recent efforts to strengthen laws and regulations against terrorist financing and money laundering. Since 2003, the Saudi government has created a financial intelligence unit, and has announced plans to establish a commission to monitor the activities of internationally active Saudi charitable organizations, though the latter has not yet been established. If

these new measures are adequately pursued and enforced, they will represent a significant stride forward in global efforts to combat terrorism.

However, it remains a cause for significant concern that extremist ideologies have been able to garner such support in Saudi Arabia. In the long term, this must be the shared goal of both our nations: to address the underlying political and religious ideology that has motivated some Saudis to support violent terrorist organizations.

Another serious issue is the need for reform of madrassas, or Islamic religious schools. Since the terrorist attacks of September 11, 2001, foreign policy analysts and officials have focused increasing attention on these schools, particularly after it was revealed that most members of Afghanistan's extremist Taliban government had attended madrassas in Pakistan, many of which are allegedly funded by Saudi money. Critics have levied many serious charges against madrassas, including accusations that they foster Islamic extremism and militancy and are a recruiting ground for terrorism. I believe these schools, which supporters argue play a crucial role in a number of countries where millions of Muslims live in poverty, and where state educational infrastructure is severely lacking, must be comprehensively reformed.

Recently, the Bush Administration announced its intention to negotiate significant new arms sales agreements with Saudi Arabia. These proposed sales would mainly support the Saudi Arabian National Guard. I believe we, as a Congress and as a nation, must seriously consider whether such sales are prudent. U.S. and Saudi regional policies are in many ways congruent, but outstanding issues of human rights and political reform cannot be ignored. I believe such sales require extensive consideration and deliberation, and I look forward to hearing the testimony of our expert panelists on this crucial issue.

While we share many similar regional goals with our Saudi friends, I do not believe we can allow this issue to overshadow ongoing human rights issues, which remain of significant concern despite indications of recent progress. The State Department's 2006 Country Report on Human Rights Practices notes that the overall human rights environment remains poor, noting particular abuses including: no right to change the government, painful corporal punishments, arbitrary arrest and detention, denial of fair public trials, lack of judicial independence, significant restriction of civil liberties, a widespread perception of corruption, societal discrimination (particularly against minority groups), and legal discrimination and violence against women.

In addition, while the State Department's 2006 Report on International Religious Freedom notes recent steps toward addressing U.S. concerns about a lack of religious freedom, the nation remains classified as a "Country of Particular Concern." Some progress has also been noted in the area of political reform, with the country's first nation-wide elections taking place in 2005, despite the ongoing ban on political parties and coalitions. Finally, women have made some progress, and were allowed to vote and run for office in elections held in the city of Jeddah in 2005, with two women winning seats. However, treatment of women remains a cause for significant concern, and the path to gender equality must be bolstered and accelerated by our efforts.

Mr. Chairman, I believe that the United States and Saudi Arabia have many shared interests and concerns. However, I also believe that the persistence of funding and support by Saudi citizens for terrorist organizations, as well as ongoing issues of human rights and religious freedom, remain cause for significant concern. I look forward to today's informative testimony, and to further thoughtful discussion of these important issues.

Thank you, Mr. Chairman, and I yield back the balance of my time.