

Saudi-American Forum



SAF Essay #13

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Baer's "Fall of the House of Saud" and the Stakeholders in the Saudi-American Relationship

By Kevin R. Taecker

A Personal Note to Fellow Stakeholders:

In 1989, it was my responsibility as the U.S. Treasury Department Financial Attaché to the Arabian Peninsula Region under Ambassador Walter Cutler at the U.S. Embassy in Riyadh to convey to the Saudi Arabian Monetary Agency the United States government's sincere wishes that Saudi Arabia should participate in the first international regime to combat money laundering, then directed by the Basel Committee on Banking Supervision. Saudi Arabia accepted that proposal, and ever since has actively supported the global efforts to combat illegal and dangerous abuses of its own local Saudi, the GCC-regional, and the global financial and capital markets. This commitment was reconfirmed - with distinction, I am told -- in the days following September 11, 2001 when Saudi Arabia helped to spearhead the IMF and World Bank's emergency resolutions aimed at depriving terrorists of the use of the international financial system and using the system to catch them. If the other countries of the Mid-Eastern and other emerging market regions were doing as much to combat money laundering as Saudi Arabia, the whole financial side of the long-term global war on terrorism would be much further along.

Consider, dear stakeholder, how utterly opposite these memories and observations appear in relation to the prevailing common wisdom about Saudi money and its links to terrorism. For the stakeholders in the Saudi-American relationship, this is a real and growing problem. [For an overview of the KSA-USA relationship and its stakeholders, see "Stakes and Stakeholders in the U.S.-Saudi Commercial Relationship."]

The reports that would pin links to terrorism on prominent Saudi individuals, organizations, charities, and businesses predate September 11, but they intensified enormously when U.S. authorities identified 15 of the 19 hijackers as Saudis. Since then, the subject has drawn continuing commentary from virtually all the major broadcast and printed media, as well as special reports by prominent institutions such as the U.S. Council on Foreign Relations. The same set of allegations has been drawn from as the basis for a number of class action lawsuits on behalf of the survivors of terrorism victims to make trillions of dollars of claims mostly against Saudis. These charges were most recently reassembled with some flourish by a retired American intelligence officer, Mr. Robert Baer, in the May 2003 *Atlantic Monthly* article entitled "The Fall of the House of Saud" (already on newsstands).

What follows is my response to *The Atlantic Monthly*. I do not know if they will print it, but wanted to share with you my thoughts on the article. I take Mr. Baer to task on a few points, but mostly I attempt to put his observations and concerns into a broader context. My response is self-admittedly incomplete when it comes to dealing with the specific allegations Mr. Baer raises. I make no call on this or that particular Saudi individual or entity. But please recognize that Mr. Baer's points are not unimportant. To the contrary, they are very important because they are the same points that by being raised again and again are fueling the crisis of confidence that hangs over the Saudi-American relationship. These and other allegations like them can and must be put to rest - both on their own, one piece at a time, and as part of a broader cooperative effort aimed at building confidence back into the relationship -- immediately and for the long-term. Mr. Baer does not discuss solutions, but makes clear his preference for those that come in the form of greater sanctions and controls. Laws already on the books, such as the USA Patriot Act Title III, have the power to deliver those sanctions in spades.

I would urge a different approach based upon making much more effective and proactive use of the public record and of the open discussions and shared memories of the Saudi and American individuals who actually participated in those periods of history where Mr. Baer selectively extracts his accounts.

In my parting words to the editor, I beg for space in future issues of *The Atlantic Monthly* in order for those affected to present the other side of the story. Mr. Baer did not anticipate the swift liberation of Iraq or all that this means by way of challenges and opportunities for America and Saudi Arabia. The Saudi-American relationship can weather this storm, but only if the stakeholders bring their experience and understanding to bear upon laying the confidence issues to rest. The public record is there to be assembled and analyzed. The Forum can help organize support for that effort. And the specific allegations raised by Mr. Baer need to be openly looked at and discussed in order to understand and handle them appropriately and effectively. And the *Saudi American Forum* offers a place where these admittedly difficult issues can be discussed openly between friends with the aims of clarifying the specific issues, finding resolutions, and restoring confidence.

With its highly flexible and robust Internet-based system, the *Saudi American Forum* is in a good position to support this effort on a day-to-day basis, as well as with special writings and events. But the Forum is entirely reliant on its members to provide direction, form, content and - - most importantly-- their active involvement and financial support. I will be grateful to hear your comments about what appears here, and your thinking about what it will take to build confidence back into the Saudi-American relationship. Please get involved and speak up.

Sincerely,
Kevin Taecker
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Dear Atlantic Monthly,

In his "The Fall of the House of Saud," Mr. Robert Baer gives one spy's-eye view of Saudi Arabia: its oil, ruling family, government, economy, culture, and religion. Through his spyglass

he glimpses this and that, and then melds the most succulent bits into a story - or more precisely a lesson from which Americans, he implores, should take heed.

In his earlier work as an intelligence officer Mr. Baer no doubt contributed to the body of knowledge that America's intelligence community is drawing upon to meet the current challenges for securing, administering, and reconstructing Iraq and for the broader global war against terrorism -- with all that these mean for the Middle East including Saudi Arabia. For this we should be grateful. Not grateful because of Mr. Baer's particular take on the Al-Saud or the Kingdom. Being so tied to September 11 and all that has followed, the story part of Mr. Baer's presentation post-dates his government service. Respect him rather for the glimpses he contributed along the way to the vastly richer and better informed picture of the Saudis and the Middle East that our national intelligence agencies work so diligently to refine and understand.

We have all now seen how technological advances and the globalization of systems (e.g., GPS and the Internet) can contribute to success on the battlefield. Although much less discussed, of course, the same is true for intelligence. Yet the fact that Mr. Baer contributed along the way to the development of a good intelligence system does not mean that Mr. Baer's present-day analysis and intelligence about Saudi Arabia are good.

The spyglass is only one tool in the intelligence agencies' kit. The great bulk of intelligence work involves the sifting and analysis of public sources. For Saudi Arabia -- in general and in the areas that particularly concern Mr. Baer -- such a review of the public sources presents a very different picture from what he would have us believe.

Over the period reviewed by Mr. Baer the Saudis have been utterly committed to maintaining global oil supply security as has been demonstrated many times by their actions to fill the supply gaps caused by others. Nor have they been lax about insuring the security of their oil system, which has protections and resiliencies far exceeding Mr. Baer's rudimentary sketch.

Not lacking, also, is the evidence of Saudi Arabia's commitment and effort in support of America's urgent and long-term responses to win the war on terrorism in context of a better vision for peace and prosperity in the Middle East region. In the wake of September 11, 2001, Saudi Arabia helped to spearhead broad and urgent efforts by the International Monetary Fund and World Bank aimed at depriving terrorists of the use of the international financial system, and at making better use of the system toward catching and deterring them and those who would support them. Within days, the Saudis acted decisively to quarantine dozens of individual bank accounts for investigation and, if warranted, seizure. Since then, the anti-terrorism cooperation between Saudi Arabia, the United States, and the other concerned and responsible international bodies has moved rapidly and effectively to broader and deeper levels than ever before contemplated.

Only a fraction of the information about the current cooperation is in the public domain. Some is officially classified because by broadcasting their plans the governments could jeopardize efforts to detect or apprehend the wrong doers. Even so, the recent Saudi Embassy press statements about U.S.-Saudi cooperation to combat terrorism are well-worth reading for the dozens of concrete measures they outline in such areas as combating money laundering and investigating

and enforcing against abuses. And responding to American concerns the Saudis have also undertaken to audit all their charities, and to monitor and control their international giving.

The seriousness of these efforts are a reflection that Saudi Arabia -- with the United States and Israel -- bears the fearsome distinction of being among the named targets of Al-Qaeda and its ilk. Yet, Mr. Baer would spotlight the antagonisms in the U.S.-Saudi relationship. Is this the right time for that?

Before answering, consider also the implications of the rapid successes of the military efforts to liberate Iraq. All the needs for humanitarian relief and reconstruction have been brought pressingly forward. It will be a huge challenge to replace Saddam's economy-by-diktat with one that relies on free enterprise and competition as the best guarantors of future prosperity.

To that end, Saudi Arabia has a great deal to contribute. It is the closest source for all sorts of natural resources, industrial materials, consumer goods, and services. Saudi business people are Arabic-English bilingual, and most have American educations and follow American business practices. Many have long-standing relationships with American businesses of all kinds, not just for oil or energy. Through times when others turned to socialism or Ba'athism, the Saudis held to free market traditions. They now have the capital and connections needed to help new Iraqi businesses establish themselves and grow.

These connections are not the sorts of connections that concern Mr. Baer. Rather, they are the connections that make up day-to-day business, as will be needed in order for the new Iraqi businesses to participate in the markets of the Arab region. After all, it will be those new businesses that provide the good jobs needed by all the innocent Iraqis whose livelihoods disappeared with Saddam.

Finally, despite predictions to the contrary, conditions in Saudi Arabia remain calm. Many of the business leaders and economic reformers are hoping that the whole experience can indeed be turned for good. The Saudis as one agree that the Iraqi people suffered under Saddam, and they will be greatly relieved when this suffering is lifted. Both the Saudi government and the private sector have much to contribute to that process.

Reduced to a phrase, Mr. Baer points to a crisis of confidence in the U.S.-Saudi relationship. It is beyond the scope of this response to address all the issues he raised, except to say the Saudis appear committed to cooperating effectively with the United States in these areas of common and pressing concern. Nor is it for any American to account for past deeds of this or that Saudi individual, organization, or business. If diligently reviewed and examined, however, the public record will be found to contain much evidence that would refute, balance, or at least lend appropriate context to the glimpses that Mr. Baer reports. Yet it is up to the Saudis to answer Mr. Baer. For many this involves quelling the sense of being unjustly accused in order to be able to dispassionately and rationally express just how Mr. Baer's points missed the mark. But this is something that they can and will do.

The challenges of stabilizing and reconstructing Iraq loom large, with all that this means for Saudi Arabia and the peace and prosperity of the region. To turn these challenges into

opportunities will require active efforts at confidence building -- confidence that America's old friends in Saudi Arabia and around the Arab region will be welcomed as friends for the future, and confidence in the greater good that can flow from the liberation of Iraq.

The Atlantic Monthly can help with this process by opening the pages of future issues to the Saudis' version of the story, and by offering its readers a fuller picture than the narrow glimpses that Mr. Baer provides of Saudi Arabia and the Saudi-American relationship.

Kevin Taecker
Washington, DC
April 19, 2003

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ABOUT THE AUTHOR

Kevin R. Taecker has been working on Saudi economic issues since 1978. As the U.S. Treasury Department Financial Attaché for the Arabian Peninsula Region based in Riyadh, he was responsible for bringing Saudi Arabia into the international anti-money laundering regime when it was first instituted by the Basel Committee on Banking Supervision in 1989. For nine years from 1990-99, he worked at Saudi American Bank, as an assistant treasurer and Chief Economist. Since 1999, he has been a private consultant advising Saudi and American companies on the issues surrounding globalization, privatization, and reforms in Saudi Arabia and the nearby Arab region.

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ABOUT THE SAUDI-AMERICAN FORUM

The Saudi-American Forum is an information service designed to provide you timely information -- background and current issues -
- impacting the Saudi-U.S. relationship.



The Forum is a resource for Americans who value the relationship between the United States and Saudi Arabia and who want to act in response to erroneous and misleading depictions of the relationship in the media and elsewhere. The Forum is a vehicle for stakeholders in the Saudi-U.S. relationship to contribute their experiences and their ideas and opinions on the issues of the day.

The Saudi-American Forum is a FREE service provided to the public by the National Council on U.S.-Arab Relations. The Forum consists of a web site and an email information service. Visit the web site at: <http://www.saudi-american-forum.org>

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You can contribute your ideas and feedback to the Forum through use of the "Feedback" form on the website or through direct email to the Forum at: info@SaudiAmericanForum.net

Thank you for your support of the Saudi-U.S. relationship and the Saudi-American Forum.