

**NOMINATIONS OF THE 110TH  
CONGRESS—FIRST SESSION**

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**HEARINGS**

BEFORE THE

**COMMITTEE ON FOREIGN RELATIONS  
UNITED STATES SENATE**

ONE HUNDRED TENTH CONGRESS

FIRST SESSION

—————  
JANUARY 30 THROUGH DECEMBER 19, 2007  
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Printed for the use of the Committee on Foreign Relations



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S. HRG. 110-777

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COMMITTEE ON FOREIGN RELATIONS  
110TH CONGRESS—FIRST SESSION

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ANTONY J. BLINKEN, *Staff Director*

KENNETH A. MYERS, Jr., *Republican Staff Director*

\*Note: Reassigned to Committee on Finance January 24, 2008.

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COMMITTEE ON FOREIGN RELATIONS  
110TH CONGRESS—SECOND SESSION

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ANTONY J. BLINKEN, *Staff Director*

KENNETH A. MYERS, Jr., *Republican Staff Director*

\*Note: Appointed February 12, 2008.

## NOMINATION

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THURSDAY MARCH 22, 2007

U.S. SENATE,  
COMMITTEE ON FOREIGN RELATIONS,  
*Washington, DC.*

Fraker, Ford M., to be Ambassador to the Kingdom of Saudi Arabia

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The committee met, pursuant to notice, at 10:35 a.m., in room SD-419, Dirksen Senate Office Building, Hon. John Kerry presiding.

Present: Senators Kerry, Lugar, Sununu, and Isakson.

### OPENING STATEMENT OF HON. JOHN KERRY, U.S. SENATOR FROM MASSACHUSETTS

Senator KERRY. This is a hearing to hear the views of Ford Fraker to be Ambassador of the United States of America to the Kingdom of Saudi Arabia. And we welcome you, Mr. Fraker. Thank you very much for being willing to do this, and we look forward to a conversation this morning that shouldn't take that long.

We understand that this post is unaccompanied, and I gather that unaccompaniment has already begun this morning. [Laughter.]

The members of your family are scattered around with spring vacations and other obligations. We understand that, but we're grateful to them for their willingness to see you go off to this complicated part of the world for a year or so. And, we understand, obviously, and are grateful for the sacrifices that families make in this process.

Needless to say, the position that you've been nominated for, Ambassador to Saudi Arabia, is a very important one to our country, and a very challenging one. Our relationship with Saudi Arabia is one of the most significant, and complex relationships that we have anywhere in the world.

I was personally gratified to hear that you have such extensive experience in the region, that you speak the language, which is an enormous benefit to any ambassador going anywhere, but particularly, this part of the world.

Saudi Arabia, obviously, has played and continues to play a vital role in our relationship and throughout the region. When it comes to stabilizing Iraq, when it comes to dealing with radical extremism within Islam, when it comes to dealing with global terrorism, conflict in Lebanon, or forging a lasting peace between Israel and the Palestinians, no country is more important than Saudi Arabia.

In all of these areas, Saudi Arabia has made important contributions and significant progress, but we all understand there's also more that can be done, and must be done. Iraq is at the top of everybody's agenda, at this particular moment, and for rightful reasons, but it is also part of a larger and complicated series of concerns in the region. The Saudi Government, I might say, made it clear at the beginning that they did not support the decisions, the administration's decision to invade Iraq. And the Iraq Study Group concluded that Saudi Arabia and the other Gulf States have been, "passive and disengaged since then."

I have personally traveled to the region, while not to Saudi Arabia in the last couple of years, but other countries in the region and that is indeed the conclusion that I would also come to.

Regardless of what's happened in the past, we all share an interest in bringing stability to Iraq. Any successful strategy is going to require strong support from other countries in the region, and Saudi Arabia must play an assertive and positive role in that effort.

We need to help them and they need to help us in convincing Sunni politicians to make the tough compromises necessary for the political solution. That is the only solution to the violence. And also, their help in cracking down on support for Sunni insurgents coming into Iraq from their country. We must also encourage them to step up in terms of debt relief and reconstruction assistance.

But, it's important to remember that Iraq is only one part of the broader Sunni-Shia rift that goes back some 1,300 years. We're all aware of the concerns expressed by the Saudis, and other Sunni leaders about the Shia revival and Iran's growing influence. The Saudis can play a key role in our emerging efforts to create a regional security structure that will help to contain Iran and, to that end, the administration has approved over \$9 billion in potential arms sales to Saudi Arabia.

At the same time, we need to work with our Sunni allies in a way that does not exacerbate the Sunni-Shia conflict or give support to Sunni extremist groups, who may one day, turn against us and everyone else.

We've recently seen the Saudis step up their efforts to play a mediating role in resolving conflicts throughout the Middle East. They've worked to bring about a peaceful resolution to the impasse in Lebanon. I know that's been constructive because I was recently in Lebanon and heard first-hand from different leaders there of the role they were playing. And, that is a crucial assistance in promoting democracy and strengthening the moderates in the region.

Also, the Saudis willingness to try to resolve the conflict between Israel and the Palestinians through the Peace Initiative proposed by Crown Prince Abdullah in March of 2002, now King Abdullah, which has been getting renewed attention, both in Israel and the United States, is commendable.

At the same time, the recent Mecca agreement, that laid the groundwork for the new Palestinian Unity Government, we must note, failed to meet the key requirements of the quartet and Israel. And we know that Saudi Arabia continues to participate in the primary boycott of Israel.

When it comes to fighting terrorism, the Saudis, have again, made some important progress, but more remains to be done. The 9/11 Commission put it this way—Saudi Arabia has been, “A problematic ally in combating Islamic extremism.” We know that counterterrorism cooperation has increased significantly since Saudi Arabia was itself attacked in 2003, and that’s not gone unappreciated. But, concerns remain, especially about the role of Saudi money in financing terrorist organizations and exporting and extremists’ ideology. One area of particular concern, was the role of Saudi-based charities funding groups that were linked to al-Qaeda and terrorist organizations in the Middle East, including one prominent charity that apparently used Arab bank branches in the Palestinian territories to provide funds directly to the families of suicide bombers.

The Saudis have taken steps to address this problem, including creating National Commission to ensure that charitable contributions don’t wind up in the wrong hands. But, that has not yet become operational and the Saudis still need to follow through on pledges to crack down on contributions from individuals.

So, finally, Saudi Arabia’s made steps toward democratization, including holding municipal elections in 2005. We do have to note, however, that women were not permitted to vote in those elections and the State Department’s report on international religious freedom, still lists Saudi Arabia as a country of particular concern.

So again, while there has been progress in bringing about reforms, there is still a distance to travel.

So, Mr. Fraker, as Ambassador, these are most of the difficult important challenges that you’ll be facing. I look forward to discussing them with you here this morning and hearing what your thoughts are and what the State Department’s thoughts are now, about how you should approach them.

Let me turn to Senator Sununu, and I note the ranking member, Senator Lugar is here, so, I’ll let you guys sort out who goes first. Senator Sununu.

**STATEMENT OF HON. JOHN E. SUNUNU,  
U.S. SENATOR FROM NEW HAMPSHIRE**

Senator SUNUNU. By previous agreement, Senator Lugar has allowed me to go first, but I’ll try to condense my remarks so that he has ample time.

I’d like to welcome Mr. Fraker. As you’ve indicated, Mr. Chairman, this is an important—a very important—position of great significance, not just to the United States, but to the region, because of the role Saudi Arabia plays in regional economics, in politics, the influence that they have on all the moderate and leading Arab States in the region.

There are a series of challenges that Mr. Fraker will have to deal with in his post as Ambassador. But, I would like to note and underscore a few of the items that you mentioned.

In particular, the recent leadership role played by the Kingdom and trying to move a framework and a process forward on negotiating peace between the Israelis and the Palestinians, support for participation in recent meetings in Iraq of all of the regional players that have a responsibility to help ensure territorial integrity in

Iraq, and the movement of weapons, and financing for terrorists in the region. And, I hope that that regional framework can continue to play an increasing role in improving the situation, not just in Iraq, but throughout the region.

And the third issue I would underscore is that of terrorism financing. I think Saudi Arabia and a number of other countries in the Gulf have played a very constructive role in dealing with some of the principal institutional mechanisms through which financing has moved terrorists throughout the region. But, there's obviously more opportunity for improvement and, in particular, the experience that Mr. Ford Fraker brings to this role, coming out of the financial services community, coming out of the banking community, having extensive experience in both global banking and in the Middle East region, provides a great opportunity to further improve the degree to which we've been able to stop the flow of funds to terrorists in the Middle East, and around the world.

So, I think by background, by experience, we have a great candidate here, maybe even a slightly unconventional candidate, but given the frustration many of us have felt about progress, and process in the Middle East, I think that a different approach, different experience, different perspective will be, would be very welcome, not just as a member of the diplomatic corps, but also welcome within the region.

I look forward to the testimony of Mr. Fraker and I'm happy to yield the floor to the Senator from Indiana.

Senator KERRY. Thanks, Senator.

Senator Lugar.

**OPENING STATEMENT OF HON. RICHARD G. LUGAR,  
U.S. SENATOR FROM INDIANA**

Senator LUGAR. Thank you very much, Mr. Chairman.

I thought your opening statement was very important as a comprehensive compilation of the many ways in which our relationship is so important. And, likewise, Senator Sununu has added to that.

I would just echo the thought that this is an extremely important relationship. Our committee has had testimony that is, that resources in the hundreds of millions of dollars have been spent for decades, largely to make certain there was security for oil resources that would come from Saudi Arabia and adjoining countries to the rest of the world, indeed, to ourselves. That relationship has had profound significance in terms of war and peace throughout the area. Your sophistication on the ground has informed you of much of that, and your personal history.

But, the current situation is one, just as my colleagues have pointed out, of intense consultation. A group of Senators met with the President and the Vice-President, Secretary of State yesterday about Latin American affairs, following the President's trip to Latin America. But, the President informed us that, as he was concluding the meeting, that he was going to be visiting with Prince Bandar. And that, obviously we were intrigued about that conversation, as we have been about conversations with Prince Bandar and his intercession in our affairs and of our consultation in the past.

I mention this because this is a time in which Secretary Rice's trip to the area is, once again, crucial. Not only in the Israeli-Palestinian process, but given Saudi diplomacy, and the very large role the Saudis have played in trying to find other openings. Is there going to be help from Saudi Arabia in perfecting the situation so there can be proper recognition of Israel and some hope for a two-state solution?

So, we look forward to your testimony and the opportunity for questions this morning. We welcome you to the committee.

Senator KERRY. Senator, thank you, for all of those observations and also your wisdom and leadership on these issues. We appreciate it.

Mr. Fraker, it's your chance now, to share with the committee your statement. We welcome it, and you can either put the whole thing in the record and summarize, or go with it as you please.

**STATEMENT OF HON. FORD M. FRAKER, NOMINEE TO BE AMBASSADOR OF THE UNITED STATES OF AMERICA TO THE KINGDOM OF SAUDI ARABIA**

Mr. FRAKER. Thank you, Mr. Chairman.

Mr. Chairman, and members of the committee, I come before you today both honored and humbled by the trust placed in me by President Bush and Secretary Rice. If confirmed as Ambassador to Saudi Arabia, I will endeavor to carry out the President's mandate and represent our great Nation to the best of my ability.

For over 30 years, I have been a banker in the Middle East. I have lived in Beirut, Dubai, and Bahrain, and have traveled to the region often and extensively ever since. My experiences as a banker during this time have included being shot at in Beirut, bombed in Riyadh, spat upon in Iran, and interrogated by border guards in Syria.

I have driven the road from Baghdad to Kuwait City, trekked in the mountains of Yemen and Oman, and camped in the deserts of Saudi Arabia and the UAE. Over this period, I have come to know and appreciate the countries, cultures, people, and language of the region. More importantly, I have also come to know how to effectively communicate with, and work with, many Arab groups.

At a time when diplomacy becomes increasingly vital for safeguarding and furthering American interests in the region, I believe it is critical that America's diplomats know about the countries, cultures, and people they are working with.

While living in the Gulf as a senior U.S. banker, I met and conducted business with various rulers and royal family members, as well as government officials, bankers, and businessmen at the highest levels. One lesson I learned quickly was, that to be effective, it is necessary to establish relationships on a personal level. Once trust and respect are gained, it is then possible to achieve specific objectives. This is especially true in Saudi Arabia, where we must sustain and deepen a vitally important partnership.

In my 30-year career as a banker, I have developed many personal relationships in the Kingdom. I believe these relationships, and my hard-won knowledge, will strengthen my ability to effectively represent the interests of the United States.

The United States and Saudi Arabia have maintained a strong and important relationship since President Franklin D. Roosevelt met with King Abdulaziz aboard the USS *Quincy* on his way back from Yalta in 1945. Though tested since the tragic events of 9/11, our relationship has remained strong, as together we confront the threats of violent extremism, international terror, and regional instability.

Saudi Arabia has been, and will continue to be, one of our key regional partners as together we face the challenges in the region. Securing and maintaining Saudi support will be critical to our success in realizing many of our regional objectives.

In recent years, our cooperation in military, law enforcement, and security has deepened. We have supported the Saudis as they have confronted their own domestic terror threat from al-Qaeda. The Saudis have made, and continue to make, substantial progress fighting terror. Hundreds of terrorists have been arrested and killed in the last 3 years. I believe the Saudis have come to understand the need to address the roots of extremism that underlie terrorism; especially the need to aggressively deny financial support for terrorist organizations.

If confirmed, I will be committed to expanding and deepening our efforts in these critical areas.

We continue to be concerned with the restrictions on religious freedom in Saudi Arabia. Saudi Arabia is proud of its responsibility as custodian of Islam's holy sites of Mecca and Medina. However, it must also work to ensure that moderation and tolerance triumph over extremism and hatred. Working closely with Ambassador at Large for Religious Freedom, John Hanford, Ambassadors Jordan and Oberwetter have both made the promotion of religious freedom a priority, and progress has been achieved. If confirmed, I am determined to build on their efforts and to press for more improvement.

To defeat extremism, it is important that Saudi Arabia take the lead in pursuing economic, political, and social reforms to ensure long-term stability. These include the pursuit of increased opportunities for Saudi citizens—especially women—to participate in government and all aspects of society; economic reforms that will make the private sector an engine for growth and job creation; and education reforms that prepare Saudi youth for the demands of a modern society. If confirmed, I look forward to working on these critical issues.

The United States-Saudi Strategic Dialog has become an effective mechanism for promoting America's regional and bilateral interests, including reform, and, if confirmed, I will work to strengthen this important partnership initiative.

Saudi Arabia has approximately 25 percent of the world's oil reserves. In order to sustain U.S. and global economic prosperity, a steady and reliable supply of energy is essential. Saudi Arabia plays a key role in ensuring the stability of world oil markets. Saudi Arabia is also an important trading partner for the United States in many other areas, and I will be a strong advocate for United States business in all sectors.

There is no responsibility more important in the work of our missions abroad than assisting American citizens in distress or need.

If confirmed, I will place the highest priority on the security of the personnel at the United States mission, and on protecting the safety and welfare of all our citizens in Saudi Arabia. I will also work to ensure that American children who have been wrongfully taken from their parents may return home, and that any adult American woman may freely depart from Saudi Arabia, at any time.

In conclusion, if confirmed as Ambassador, I will use the skills and knowledge I have developed during my career in the Middle East to serve the best interests of my country. I will keep your concerns and questions firmly in my mind while I carry out my responsibilities. I hope you will visit the Kingdom, so that together we can continue to strengthen this vital strategic relationship.

Thank you for considering my nomination.

[The prepared statement of Mr. Fraker follows:]

PREPARED STATEMENT OF FORD M. FRAKER, NOMINEE TO BE AMBASSADOR OF THE UNITED STATES OF AMERICA TO THE KINGDOM OF SAUDI ARABIA

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Thank you for considering my nomination.

Senator KERRY. Thank you very much, Mr. Fraker. We appreciate it and again, I think you are enormously qualified on paper, and certainly in experience. And, we hope you're able to have an impact on each of the areas that you've talked about.

Let me begin by asking you, has the Department, has the Secretary of State, or the administration, specifically charged you with respect to any one component of the portfolio? Have they said to you, "This is our first priority," or "Here's where we'd really like you to put your major focus?"

Mr. FRAKER. Well, Mr. Chairman, I think the statement that my No. 1 priority and concern is the safety and welfare of Americans in the mission and American Saudi Arabians in general, is top of the list and that is emphasized in all the meetings that I have.

Senator KERRY. That's a normal—every ambassador in every place is charged with that. Is there something special, with respect to the peace process, or with respect to Iraq and the regional security that has been articulated to you?

Mr. FRAKER. Not specifically, other than to say that there are a range of highly important issues, all of which I will be expected to address, with counterterrorism being the one that comes up most frequently in discussions.

Senator KERRY. You mentioned in your testimony, you say that the threats of violent extremism, international terror, and regional instability are things we need to work on together, and you hope to advance the relationship with respect to those issues. How do you anticipate doing that?

Mr. FRAKER. Working very closely with our Saudi colleagues—regional stability and security is critical to both the U.S. and Saudi Arabia. The attacks in Kingdom in 2003 and 2004 made that crystal-clear to the Saudis, and I believe cooperation in this area has been intense and effective.

Having said that, there's more to be done. We've touched on the area of terrorist financing. That's a particular area, given my background, I believe I can add value to, if confirmed, and look forward to working with the Saudis on that, specifically.

Senator KERRY. Do you have an area where you have a sense from your own experience that there's a particular opportunity for progress?

Mr. FRAKER. I do, I have a particular area that I'm focused on, have been throughout my career and, if confirmed, would like to spend a lot of time on, and that's the area of education. I firmly believe that, that we best address the underlying issues of extremism and radicalism by, by getting to the students at an early age. And, encouraging exchange programs amongst young students, Saudis coming here, Americans going there, I think is the best way to address that. And, if confirmed, that is an area I'll be focusing on.

Senator KERRY. How would you describe the degree to which the Saudis have concerns about Iran, and how do you see them, how do you see that particular component of their relationship and ours also, sort of dovetailing, or not, over the course of the next months?

Mr. FRAKER. Historically, the relationship between Iran and Saudi Arabia—they've been adversaries. And, I think that continues. The Saudis have publicly decried the Iranian efforts to, their nuclear program, they've publicly said that they're against that. They've criticized the Iranians for meddling in Iraq and Lebanon. I think the Saudis will prove to be a good partner for us in those issues and in facing off against Iran.

Senator KERRY. Do you believe that if Iran pursues its nuclear ambitions, the Saudis are likely to also?

Mr. FRAKER. I don't know. I do know that the GCC has publicly stated their interest in exploring the possibility of developing peaceful nuclear technology. I don't know if that's a shot across Iranian bows or not. It's something that I'd like more information on.

Senator KERRY. What do you make of the meeting in Mecca, which obviously left the Quartet feeling less than satisfied, but on the other hand, within the Arab world, the word I hear is, sort of, don't make too much noise about it, this can help begin to move the process forward.

Mr. FRAKER. I believe that the United States and Saudi Arabia both believe that the Palestinians should be speaking with one voice, if ever there's going to be a chance of reconciliation. And, that the Mecca conference was an important step towards trying to get a one-voice Palestinian, heard.

The State Department position is that it's probably still early days yet to judge exactly how this unity government will behave. Obviously, we were disappointed that the Quartet principals weren't embraced. But, I think many people in the Middle East will see this, actually, as a constructive first step in a process to achieve this one-voice from the Palestinians.

Senator KERRY. If the Saudis are, indeed, intent on trying to advance that process, why do they continue the boycott of Israel?

Mr. FRAKER. Well, there's a long history here and I think that the Saudis should be judged on their efforts to encourage the moderate Palestinian element, in playing a constructive role in this whole process. And, I think that we will, we'll have some success in that area and if confirmed, that's very much an approach I would like to take with the Saudis. To have them continue to play this moderate role and encourage the moderates on the Palestinian side.

Senator KERRY. And a couple of pro-forma questions. Is there any interest that you have, financial or otherwise, that might require you to recuse yourself from any issue dealing as an ambassador?

Mr. FRAKER. The only, the only issue is with regard to a letter of undertaking I've signed because I have a pension plan that is managed by a bank in London, actually by a U.K. pension fund in London where the Saudi Government has a 40 percent interest in the bank, even though the bank has no interest in the pension fund.

Senator KERRY. Is there any interest you have or asset that you have that might present a conflict of interest with respect to any of the positions you have to represent in Riyadh?

Mr. FRAKER. No.

Senator KERRY. Thank you very much, Mr. Fraker, I appreciate it.

Senator Sununu.

Senator SUNUNU. Thank you, Senator Kerry.

You spoke a little bit about education. You mentioned a good mechanism for improving that level of education and exposure are exchange programs. Any other mechanisms that—or opportunities that you see—to improve that exposure, education to a broader set of ideas?

Mr. FRAKER. The United States-Saudi Strategic dialog has presented a very useful framework for dealing with a whole range of issues. One of them is, is reform and under that heading, education, as well. There's significant focus on the schools and the mosques, in terms of trying to eliminate extremist language, and in the schools, specifically the textbooks. And, that's a—that's an effort and an initiative that we should pursue very vigorously and one that, if confirmed, I would like to spend a lot of time focusing on.

Senator SUNUNU. What about the American institutions in Lebanon and Egypt, specifically, American University of Beirut, Lebanese-American University, and American University in Cairo? Those are institutions with very lengthy histories, in which I assume, in different ways you've come across in your work, both in Lebanon, and throughout the region.

What has been your personal experience with students from those institutions, and to what extent have students from the Kingdom of Saudi Arabia taken advantage of their strengths?

Mr. FRAKER. In fact, when I lived in Beirut, I lived right next door the American University in Beirut, so I almost feel like I went to college at AUB. I got to know a number of the students there.

Senator SUNUNU. But, my first question was really an opportunity for you to, for you to emphasize the strength of the institutions. Obviously, you've got great personal experience. Go ahead.

Mr. FRAKER. Just to say, these are terrific institutions for furthering dialog and interaction between Americans and Arabs, whether they're Egyptians or Lebanese, or wherever. All this, in my view, should be significantly encouraged.

Senator SUNUNU. Do you know to what—they have students from all over the region—do you know to what extent their student body includes students from Saudi Arabia, and, can that be improved?

Mr. FRAKER. I don't know precisely. I do know that there are Saudi students at AUB, and also American University in Cairo. It's been a traditional college destination for many of them.

Senator SUNUNU. In the area of terrorist financing, are there any particular areas of the Saudi Arabian or Middle East banking system that you think are particularly vulnerable, right now?

Mr. FRAKER. We're—I think we're in the early days, to some extent, given the number of initiatives that have happened recently. For example, in Saudi Arabia, the Saudis have increased oversight over charities in the Kingdom, but there are real gaps in terms of their ability to manage and oversee the foreign branch operations of many of these charities. Similarly, foreign charities with branches in Saudi Arabia—there are difficulties in oversight there, so, that's a specific area where things can be tightened up.

They have recently enacted some money-laundering laws, and laws that target cash transfers, as well. All of this needs to be, to be looked at very carefully and tightened up. It's only just begun to happen.

So, there are a whole range of areas that, good first steps have been taken, but we should be on them and very aggressive in pursuing how they, how they enact the laws they've passed.

Senator SUNUNU. From your perspective, or your experience in banking and finance, how would you assess the strengths and the weaknesses in the current economy in Saudi Arabia?

Mr. FRAKER. Well, the Saudi economy at the moment is booming. Oil prices where they are have generated enormous amount of liquidity and cash. Locally, the Saudis are investing that in local industry. They have an infrastructure that's now, maybe 20 years old. They're going to have to reinvest a lot of money upgrading that. So, it's quite an exciting time in terms of being a member of SAMO, or the central bank, trying to manage, manage this economy because it is booming.

Senator SUNUNU. What has been the recent posture of the Saudi Arabian Government toward United States investment in the country and which sectors of the economy, do you think, hold the most promise for investment by U.S. firms?

Mr. FRAKER. The government has recently opened up the economy for, for more outside investment. And this is a significant event. And we've recently seen two major U.S. financial institutions, Morgan Stanley and Goldman Sachs, enter into joint venture arrangements in the Kingdom, JP Morgan, Chase as well. So, I think you will see a rush of financial institutions into the Kingdom.

I think on the manufacturing side, as well, there will be real opportunities, and it's one of the areas, if confirmed, I will, I envision myself spending a lot of time on, because I think there'll be terrific opportunities for trade and business.

Senator SUNUNU. Thank you.

Thank you, Mr. Chairman.

Senator KERRY. Thank you very much.

Senator Lugar.

Senator LUGAR. Thank you, Mr. Chairman.

You bring extraordinary qualifications in the banking area to this position. And, my questions really come down to, really the special talents that you have here.

You've touched upon the fact that there is greater oversight, presumably by the Saudi Government on contributions to charities, contributions coming from others to charities, and money laundering. One of the great questions about Saudi wealth and banks and transfers, and so forth, is the degree of distribution to al-Qaeda or to others who are associated with terrorism, not only in the Kingdom, but elsewhere, and the ability of the Saudis, or the willingness, the political will to monitor this, and indeed to stop it.

As an American banker, you may have had some experience in your previous calling with this type of activity, but what do you believe you are going to be able to do, from the standpoint of the United States working with strong Saudi allies to curtail these flows, which are critical to the support of terrorist groups?

Mr. FRAKER. Thank you, Senator.

As I've said, some important steps have been taken—initial steps have been taken—both in terms of laws that have been passed, and a focus on a greater oversight in a number of areas. The Saudi economy, traditionally, has been a cash economy. And, regulating cash is a difficult, is a difficult process. Also regulating—any country has difficulty regulating their private sector. And if you have a private sector running around with lots of cash, it's even more difficult to regulate.

Having said that, one of the laws they have recently passed addresses, specifically, the issue of cash in and out of the country. And, it really comes down, as you said, to their willingness, the political will to really address the problem, as well as the practical problems in a country with enormous borders and enormous traditional trade traffic back and forth across these borders. So, it really comes down to pressure, applying the laws that are in place, and following through on them.

From my standpoint, the big plus here is that, the laws are in place. So, you do have a mechanism for measuring performance. You can hold them accountable to a set of criteria, and I think that's a big step. And, if confirmed, that's an area that I have experience in and would relish the opportunity to focus on.

Senator LUGAR. Well, that's why I raised the question. I think it is a special qualification that you have and it comes at a time in which our diplomacy has been informed a great deal by such situations. For example, the North Korean negotiations, many feel, have progressed largely because of a treasury situation with the Macao Bank, and the interdiction of funds or pursuit of fraudulent activity there.

Likewise, it is suggested that this may be one of the more effective sanctions available when compared to cutting off vast amounts of trade in the banking system. The flow of, for example, money from China to Sudan has been suggested as maybe a critical area, unlike almost any other.

That brings me to the second part of my question. Do you have a personal acquaintance with members of the royal family, with the previous Saudi Ambassador to the United States, or with any of these figures who have come back and forth through our public life informing our Presidents, Democratic and Republican, over many years?

Mr. FRAKER. I have met a number of the members of the royal family as a commercial banker in the region. However, we were taught at a very early age to stay away from most of them, for commercial reasons. But, I look forward to developing those relationships, if confirmed.

I should also say, that in the last few weeks I've had the opportunity to meet with Secretary Polson, National Security Advisor Hadley, and FBI Director Muller, specifically, to address the terrorist financing issue. And, I was pleased to be able to hear some of the testimony yesterday from Undersecretary Burns and Levey to the Banking Committee, where they specifically addressed their efforts with regard to Iranian financing, as well.

Senator LUGAR. Please, while you are still here in Washington, enlarge even that circle so that all of the players in our Government are well acquainted with you, and you with them, and therefore the team effort is likely to be enhanced.

On the other hand, have you also been briefed or have you had experience with the many different agencies that work for you in the Embassy there in Saudi Arabia? Presumably, as well, you are confident that as the ambassador, you are going to have a look-see into all of that activity as the management principal on behalf of our interests.

Mr. FRAKER. I've just finished the two-week Ambassadorial seminar where I was introduced to the range of agencies and activities in the Embassy, and have had a chance to have meetings outside that environment, as well, with people. So, I'm looking forward, again, if confirmed, I'm looking forward very much to getting on the ground and really understanding how things are operating, on the ground.

Senator LUGAR. Well, this committee has been helpful, I think, to Ambassadors and to the State Department in suggesting that activities of our Government ought not proceed independently of our ambassadors, and their knowledge of those activities in whatever context they may be. I think there's a recognition of the importance of that principle, but I was curious as a new ambassador in the meetings that you've had, that this came through.

Mr. FRAKER. I've been assured by all the agencies that as chief of mission, these are my responsibilities.

Senator LUGAR. Thank you very much.

Thank you, Mr. Chairman.

Senator KERRY. Thank you, Senator Lugar very much.

Just following up on Senator Lugar's line of inquiry with respect to these efforts on the money, a long time ago I was on the Bank-

ing Committee and this was a major focus of mine. In fact, I wrote some of the laws requiring some of the transparency and accountability.

It seems to me that unless the Secretary of State and the President make it clear, and are prepared to leverage, that your ability as an ambassador is going to be somewhat limited, frankly, to lift. I mean, you can go in and you can deliver a demarche, or you can have these conversations with your ministries and they will sit there, look at you, and say, "Yes, you're right, we have to do this." And the heads will nod, but the situation won't change that much, to be honest with you, unless you have assurances that the administration's really going to back you, and that this is real. Do you have that sense? I mean, has this been put to you in a way that you're convinced that you're not going to be, sort of, you know, sense of us pushing the rock up the hill.

Mr. FRAKER. I believe I do. I've had discussions both with the President and the Secretary of State and they've assured me of their support, specifically in these areas. My meeting with National Security Advisor Hadley, was a result of the previous discussions with a clear intent to have me onboard with the effort.

Senator KERRY. Good. And, that's obviously very important. Do you believe we have some levers, beyond those that we've used, in order to help guarantee the kind of response that we need to get?

Mr. FRAKER. One of the things that I believe is that my value-add in this process is very much in the private sector and with the financial institutions. I know the bankers, I know the banks, I know most of the major merchants. And, I believe that an outreach to them, very specifically, could pay real dividends in this effort. I believe, up until now, most of the, most of the focus has been getting government signing on to do what's needed to be done. But, again, it's what's happening on the ground that will determine our success in this area and, if confirmed, that's very much where I'd like to be focused.

Senator KERRY. We certainly wish you well with that. You're about to enter a different world. We obviously hope that those relationships produce something, and in some cases they may produce information and they may produce some efforts here and there, and everything to the plus is positive.

But, the bottom line is, and I think my colleagues would join me in saying this, you're about to enter a world where there are some big cultural and historical and even political motivations at play. And, the best intentions will not move some of those, unless they feel it's in their interest.

So, we wish you well on it, but I think that it's going to be important for you to quickly report back to the State Department and to this committee, the reality of your perceptions about those responses, because nothing is more critical than trying to cut off the terrorist funding and begin to send a message of the serious alternative course, that'd be important.

Just very quickly, I don't want to prolong this, but a last question. Do you have any sense of how the Saudis view the Iraq situation, at this point, and what play they might, you know, whether you can have an impact on that?

Mr. FRAKER. Well, the Saudis, as you know, are a charter member of the Iraq Compact. And, the price to join that elite group is a commitment of \$450 million to Iraq. The Saudis, I believe, have stepped up with a commitment of \$1 billion. There's also about \$39 billion worth of debt to be negotiated. The Saudis have indicated a willingness to forgive that debt. So, I believe there's a real, there's a very positive impact they can play on the financial side with regard to helping Iraq. And, I know also, that they have encouraged the Sunni elements to participate in the political process in Iraq from a regional stability standpoint. It's been made clear to us and clear to them, it's in nobody's best interest to have a fractured Iraq on their border. And, so I think they will be a positive force in helping that.

Senator KERRY. Senator Isakson.

Senator ISAKSON. Thank you, Mr. Chairman. In light of my tardiness, I'm not going to run the risk of being repetitive in questions, but I welcome the nominee here today and appreciate the opportunity to come, albeit late.

Senator KERRY. Well, we're glad to have you here. We appreciate it. Thank you very much.

Senator KERRY. Do any other colleagues have any other questions?

Mr. Fraker, this could prove unbelievably easy to get over there, and difficult once you get there. So, we appreciate your coming before the committee. I think it's a tribute to the qualifications you bring to the table that people are anxious to get you over there. And, I'm confident the Senate will move as rapidly as possible to confirm you. And, so we look forward to getting you there, and we look forward to seeing you over there.

Mr. FRAKER. Thank you very much.

Senator KERRY. Good luck to you, sir. Thank you. We stand adjourned.

[Whereupon, at 11:25 a.m., the hearing was adjourned.]

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ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

U.S.-SAUDI DISCUSSIONS ON RELIGIOUS PRACTICE AND TOLERANCE SUBMITTED  
BY SENATOR JOSEPH R. BIDEN, JR.

<b>U.S.-Saudi Discussions on Religious Practice and Tolerance</b>	
<p>Over the past year, the United States and Saudi Arabia have engaged in ongoing discussions on religious practice and tolerance. Through these discussions, the Saudi Arabian Government has identified and confirmed its policies on a number of key issues. Specifically, the Saudi Arabian Government has confirmed that it is pursuing and will continue to pursue the policies outlined below.</p>	
<p><b>Halt the Dissemination of Intolerant Literature and Extremist Ideology within Saudi Arabia and around the World</b></p> <ul style="list-style-type: none"> <li>◆ Revise and update textbooks to remove remaining intolerant references that disparage Muslims or non-Muslims or that promote hatred toward other religions or religious groups, a process the Saudi Government expects to complete in one to two years.</li> <li>◆ Review revised materials to expunge any remaining intolerant references about any religion or religious groups that were not removed in previous revisions.</li> <li>◆ Prohibit the use of government channels or government funds to publish or promote textbooks, literature, or other materials that advocate intolerance and sanction hatred of religions or religious groups.</li> <li>◆ Thoroughly review and revise educational materials and other literature sent abroad to ensure that all intolerant references are removed, and where possible, attempt to retrieve previously distributed materials that contain intolerance.</li> <li>◆ Ensure Saudi embassies and consulates abroad review and destroy any material given to them by charities or other entities that promote intolerance or hatred.</li> <li>◆ Control distribution of Saudi educational curricula to ensure that unauthorized organizations do not send them abroad.</li> <li>◆ Retrain teachers and principals of boys and girls schools to ensure that tolerance of all peoples, and religious is promoted.</li> <li>◆ Revise teacher manuals to include promotion of tolerance.</li> <li>◆ Counsel and hold accountable teachers who deviate from the approved curricula through the Committee for Teacher's Affairs.</li> <li>◆ As part of the broader reform of the Saudi education system, and in addition to the extensive review within the Ministry of Education, review textbooks through the Higher Commission for Education (HCE) in order to remove intolerant references and promote tolerance. (The HCE, which reports to the King, is chaired by the Crown Prince and includes the Ministers of Justice, Islamic Affairs, Education, Higher Education, and Labor, as well as two members of the Shura Council, the Secretary General of the Islamic League, and a representative of the Supreme Council of the Ulema).</li> <li>◆ Promote tolerance and combat extremism in sermons and teachings.</li> <li>◆ Retrain and, when necessary, reassign imams who continue to espouse intolerance.</li> <li>◆ Incorporate human rights education into the standard educational curricula, consistent with the Convention on the Rights of the Child.</li> <li>◆ Expand mutual exchanges of leaders and educators from both countries.</li> </ul>	<p><b>Protect the Right to Private Worship and the Right to Possess and Use Personal Religious Materials</b></p> <ul style="list-style-type: none"> <li>◆ Guarantee and protect the right to private worship for all, including Non-Muslims who gather in homes for religious practice.</li> <li>◆ Address grievances when this right is violated.</li> <li>◆ Ensure that customs inspectors at borders will not confiscate personal religious materials.</li> <li>◆ Address complaints of violations through the Human Rights Commission, the Interior Ministry, and, when appropriate, the Foreign Ministry.</li> <li>◆ Work with Saudi missions abroad to ensure that foreign workers are aware of their right to private worship and the right to bring in materials for individual worship.</li> </ul> <p><b>Curb Harassment of Religious Practice</b></p> <ul style="list-style-type: none"> <li>◆ Ensure that members of the Commission to Promote Virtue and Prevent Vice (CPVPV, also known as the <i>Mutawana 'ta</i>) do not detain or conduct investigations of suspects, implement punishment, violate the sanctity of private homes, conduct surveillance, or confiscate private religious materials.</li> <li>◆ Permit only authorized individuals to work for the CPVPV.</li> <li>◆ Require all members of the CPVPV to wear identification badges with their pictures and names.</li> <li>◆ Continue to retrain members of the CPVPV to ensure that rights of Muslims and non-Muslims are protected and hold accountable members of the CPVPV who overstep their role.</li> <li>◆ Require all future members of the CPVPV to be trained at a special institute.</li> <li>◆ Hold accountable, in accordance with Islamic Sharia, Saudi laws, and the Convention against Torture, any official who commits acts of torture.</li> </ul> <p><b>Empower the Human Rights Commission</b></p> <ul style="list-style-type: none"> <li>◆ Address all human rights complaints through the Commission's authority.</li> <li>◆ Educate the public and Government about human rights and promote a human rights culture in all government bodies, including religious and security institutions.</li> <li>◆ Determine the Commission's jurisdiction in accordance with international human rights standards.</li> <li>◆ Bring the Kingdom's rules and regulations into compliance with human rights standards.</li> <li>◆ Ensure compliance with and implementation of international human rights treaties.</li> <li>◆ Assist Saudi citizens, foreign workers and visitors whose religious rights have been violated by any public or private agency or individual.</li> <li>◆ Provide the Commission's opinion on international treaties under consideration for accession, such as the International Covenant for Civil and Political Rights.</li> </ul> <p style="text-align: right; font-size: small;">July 2006</p>

RESPONSES OF FORD M. FRAKER TO QUESTIONS SUBMITTED  
BY SENATOR JOSEPH R. BIDEN, JR.

*Question.* If confirmed, what will you do to encourage religious freedom in Saudi Arabia and ensure that the country's religious minorities are protected?

*Answer.* I plan to make religious freedom a priority during my tenure and will encourage visits by U.S. officials to press for improvements in tolerance and religious practice. The policies put forth by the Saudi Arabian Government regarding

religious practice and tolerance are public policies, and if confirmed, I will assess the government's record on promoting religious freedom and tolerance based on its record on implementing its stated policies.

If confirmed, I look forward to hosting a planned visit by the United States Commission on International Religious Freedom in late spring. I will also continue the practice of raising our concerns over the plight of both non-Muslim and Muslim religious minorities with senior government officials. Additionally, I will continue the program of exchanges that brings Saudis to the United States to experience first-hand American institutions, societies, and values, including religious freedom.

*Question.* To date, what progress has been made in each of the three areas: (a) stop using government channels or funds to export or promote textbooks, literature, or other materials that advocate intolerance globally; (b) remove intolerant elements in its textbooks and curriculum inside the Kingdom within 1 to 2 years; and (c) protect private worship by curbing interference by the religious police?

*Answer.* We continue to raise all of these issues at the highest levels of the Saudi Government.

The Saudi Government has told the Department of State that it has ceased sending materials around the world, even when countries ask for such materials, except to the 20 official Saudi Academies located in various countries. Textbooks used at these schools are undergoing a complete revision along with the textbooks used in the Kingdom. Teachers will be retrained and screened for extremist ideologies.

The Saudi Government has said it is also implementing a regulatory system for all of the 72,000 mosques in the country. The Ministry of Islamic Affairs requires all imams to undergo training to ensure they have a proper religious education, or in some cases, retraining if they are currently espousing intolerant messages.

We continue to press the Saudi Government to guarantee and protect private worship, and to ensure that the religious police do not interfere with people's right to worship. There were several incidents of apparent violations of this policy in the latter half of 2006 which we learned of early this year, and we have expressed our concern to the Saudi Government. There is some indication, based on the decreased number of arrests last year, that the Saudi Government is taking steps to curb violations of private worship by the religious police.

*Question.* What do you plan to do to make sure that the Saudi Government complies with its commitments? How do you plan on monitoring these reforms? Is there a timetable for implementation?

*Answer.* I intend to monitor Saudi policies to improve religious freedom closely and press for their implementation. In this effort I will work closely with Ambassador at Large for International Religious Freedom, John Hanford, to continue our serious discussions with the Saudi Government on improving religious freedom. Our interest and goal is to achieve sustained progress toward religious freedom. The policies put forth by the Saudi Arabian Government regarding religious practice and tolerance are public policies, and if confirmed, I will also encourage others concerned with the state of religious freedom in the Kingdom to assess the government's record on its stated policies. Additionally, the Department will continue to monitor the government's actions through the Annual Report on International Religious Freedom, and the Country Reports on Human Rights Practices.

*Question.* How will the Saudi public be able to determine if genuine progress is being made?

*Answer.* The opinions of Saudi citizens living in the Kingdom are the best indicator of whether the government is making progress on religious freedom. The United States Mission regularly reaches out to Saudi citizens and will continue to make public diplomacy and outreach on this issue an important part of its presence in the Kingdom. One positive sign is that the level of debate about religious freedom or sensitive religious topics in Saudi newspapers has increased over the last few years. For instance, parts of the 2006 Annual Report for International Religious Freedom on Saudi Arabia were printed in Al-Watan newspaper. The full report on Saudi textbooks by the Center for Religious Freedom was also featured in Al-Watan.

*Question.* If confirmed, what steps will you take to promote the equality of women?

*Answer.* Women's inferior status, including restrictions on their rights and opportunities, is a serious problem in Saudi Arabia, and a key issue on the United States Government's human rights agenda with Saudi Arabia.

If confirmed, I will press the Saudi Government to increase opportunities for all Saudi citizens, including women, to participate in the political process. I will also urge the Saudi Government to increase private sector opportunities for women, and

remove legal obstacles that prevent women from fulfilling their potential. I will also look for opportunities to mobilize expertise from the U.S. public and private sectors in support of women's empowerment.

*Question.* In 2004, Saudi Arabia held a "National Dialog" on women's issues which made a number of recommendations, endorsed by then Crown Prince Abdullah. Which if any recommendations have been implemented?

*Answer.* The third meeting of Saudi Arabia's National Dialog took place June 12-14, 2004, in Medina, and focused on women's rights. Since that event, there has been progress in opening new employment and educational opportunities for women, and in creating greater public awareness and discussion of the challenges Saudi women face.

The Saudi Government has allowed women to play a more active role in business, and has opened new job sectors to women, such as law and engineering. Women's empowerment is a key part of the Saudi Government's 2005 5-year plan. In 2005, women participated in the Jeddah Chamber of Commerce elections, winning two elected seats and being appointed to two others. However, they were not allowed to participate in municipal council elections.

On March 19-20, 2007, in Jeddah, Saudi Arabia held its first conference on women's empowerment, under the patronage of the King's daughter, Princess Adela, and with the involvement of Saudi Arabia's best-known businesswoman, Lubna al-Olayan. One thousand women participated in the meetings, which highlighted challenges women confront in education, employment, and the legal system. Princess Adela urged that more economic sectors be opened to women, and that women be given a greater role in "the decision-making process."

Much more must be done. Indeed, according to the 2006 World Economic Forum Gender Gap Report, Saudi Arabia ranked last in a group of 115 countries in terms of economic opportunity and participation, and political empowerment. Our human rights report highlights the continuing legal and societal discrimination and violence against women.

*Question.* Have there been instances in your banking career in the Middle East where considerations of human rights and/or democracy have influenced your decisions? What were the impact of these decisions?

*Answer.* I believe that Americans and American companies doing business abroad play an important role in representing America's values. As bankers, we take many factors into consideration when setting country credit policies, evaluating business proposals such as loan applications, and making business decisions. One factor is an evaluation of the overall political situation, which implicitly includes human rights and democracy issues as these bear on the political future of a country.

*Question.* Beyond women's rights and issues of religious freedom, what are the most pressing human rights issues in Saudi Arabia? What are the most important steps you expect to take—if confirmed—to promote human rights and democracy in Saudi Arabia? What do you hope to accomplish through these actions?

*Answer.* Since coming to the throne in 2006, King Abdullah has pursued incremental reforms that have led to some improvements on key human rights issues. However, as noted in the Department's 2006 Human Rights Report, there continue to be substantial problems with human rights in Saudi Arabia. Several of the most pressing human rights issues include reports that some authorities practiced physical abuse and torture; a lack of popular participation in Government; denial of fair, public trials; lack of a transparent and consistent judicial system; and significant restrictions on civil liberties.

I will forcefully advocate for reform and convey the message that the United States places the highest emphasis on improvements in human rights and holds the Saudi Government accountable for its commitment to improve human rights. The United States Government has an active exchange program with Saudi Arabia that brings Saudis to the United States for firsthand experience on many issues, including religious and press freedom, human rights, and more. I will continue efforts under the United States-Saudi Strategic Dialog to promote political, economic, and legal reform.

Some elements of Saudi society are conservative and have strongly resisted efforts at modernization and reform. However, the Kingdom continues to slowly change from the inside, and it is important to strengthen actors that support reform. To this end, I will promote programs that expand and strengthen civil society in Saudi Arabia, encouraging efforts to expand Saudi political participation and compliance with international human rights standards.

*Question.* If confirmed, what are the potential obstacles to addressing the specific human rights issues you have identified in your previous response? What challenges will you face in Saudi Arabia in advancing human rights and democracy in general?

*Answer.* While there are reform-minded individuals, both in government and in society, some elements of Saudi society have historically been uncomfortable with and suspicious of change. In the past, the Saudi Government has implemented new policies, such as girls' education, often in the face of strong protests from conservatives. This opposition has led the Saudi Government to move slowly and cautiously, strive for consensus across different societal groups, and avoid policies that might provoke a negative reaction.

Nevertheless, Saudi Arabia must pursue reform and improve its record on human rights if it is to defeat extremism and achieve genuine stability and security over the long term. It will be my challenge to engage with Saudi society to demonstrate that human rights and reform are not a threat to Saudi society or traditions but, rather, will strengthen society by offering more opportunities to wider sections of Saudi society. Such change will also enable Saudi Arabia to meet the challenges of the 21st century with the goodwill and active support of the international community.

*Question.* In your new position, what steps will you take to ensure that promotion of human rights objectives will be an integral part of post/bureau activities? If confirmed, what steps will you take to ensure that Foreign Service officers who engage in human rights activities are encouraged and professionally rewarded for superior service?

*Answer.* The advancement of human rights has been, and will continue to be, a priority for the U.S. Government. I will ensure that advancing human rights in Saudi Arabia remains a key goal in our annual Mission Strategic Plan, which will guide our in-country activities throughout the year. The mission will identify goals, strategies, and benchmarks for improving human rights in Saudi Arabia through increased and positive engagement with the government, civil society, and the Saudi public. This process allows an objective review of the mission's relative success in achieving our goals. We will also continue to use the Human Development Working Group of the United States-Saudi Strategic Dialog as a framework to engage the Saudi Government on human rights and reform-related issues.

The mission will also continue to devote substantial efforts to the production of required annual reports on various human rights issues, including the Human Rights Report, the International Religious Freedom Report, and the Trafficking in Persons report. Across the mission, there are several officers with primary responsibility for monitoring and reporting on human rights issues, but reporting on human rights issues is an important element of the annual work effort of many other officers of the mission, including mission leadership. Those who perform well in their duties receive recognition in their annual evaluations, and for exceptional performance, the Department offers a variety of awards. I will continue to encourage the best use of our existing administrative tools to recognize and reward superior performance of duties, including on issues related to human rights and reform.

*Question.* Will you commit to meeting regularly with activists, reformers, and non-governmental organizations in the United States and in Saudi Arabia who are working to promote human rights?

*Answer.* The United States continues to strongly promote respect for human rights around the world, and I fully support our efforts in doing so. It has always been the policy of the United States Mission in Saudi Arabia to meet with a broad range of individuals on all aspects of the United States-Saudi bilateral relationship, including advocates for human rights and reform. Staff from the embassy and the Consulates General meet regularly with concerned individuals and organizations on the topic of human rights. Department officials also meet with human rights activists and NGOs in the United States. I support this policy, and it will continue to be the policy of the mission in the future.

*Question.* In the aftermath of the May 12, 2003, terrorist attacks in Riyadh which killed more than 30 people, including at least eight American citizens, did Saudi Arabia establish a victims compensation fund?

If yes, are American victims and other foreign nationals eligible to participate? Would we consider urging the Kingdom to establish a fund similar to the September 11 Victims Compensation Fund?

*Answer.* The Department of State has no information regarding the existence of a victim's compensation fund for those killed in the May 12, 2003, terrorist attacks in Riyadh. There have been no discussions between the United States Government

and the Government of Saudi Arabia on this issue, and none are planned at this time.

I believe the tragic events of May 12, 2003, were important in pushing the Saudi Government to recognize that extremism in general, and al-Qaeda in particular, represented a major domestic threat in Saudi Arabia. It also led to much closer United States-Saudi counterterrorism cooperation—cooperation that continues today.

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RESPONSES OF FORD M. FRAKER TO QUESTIONS SUBMITTED  
BY SENATOR F. JOHN KERRY

*Question.* What specific programs has the U.S. Government implemented to prevent the use of financial institutions to finance terrorist organizations and prohibited activities by foreign governments?

*Answer.* The U.S. Government has a variety of tools at its disposal to combat terrorism finance under authorities provided in the International Emergency Economic Powers Act (IEEPA), E.O. 13224, and the USA PATRIOT Act, among others. Under these authorities, the Departments of State and Treasury have established a list of Specially Designated Global Terrorists, whose assets are blocked, thus preventing U.S. persons, including financial institutions, from conducting transactions with designated individuals.

*Question.* Is it the U.S. Government's position that any financial institutions and/or other private entities that have aided and abetted terrorist organizations or prohibited activities by foreign governments should be sanctioned, and that private parties should be able to pursue all available legal remedies against such entities?

*Answer.* Sanctions are one of several tools available to punish and deter abuses of the international financial system in support of terrorist organizations. Others include diplomatic pressure and law enforcement action. The decision on which tool or combination of tools to use depends on a variety of factors, and is based on a thorough review of the circumstances of each case. The availability of legal remedies to private parties depends upon the particular claims and circumstances of each case. This issue can involve complex legal issues, and some of these issues have been raised in cases now working their way through the courts. As it would be inappropriate for me to comment on pending litigation, I don't think I should comment further on the last part of your question.

*Question.* Is it true that no Saudi Arabian financial institutions have to date been designated by the United States Government for Office of Foreign Asset Control sanctions?

*Answer.* The Department of State believes that this statement is correct, but would refer you to the Department of the Treasury for a definitive answer.

*Question.* What is the United States Government's policy regarding Saudi Arabian nationals in cases where the United States Government has solid intelligence that such persons have given donations or otherwise provided financial support to al-Qaeda or affiliated organizations? Have all such persons been designated for OFAC sanctions?

*Answer.* The United States and Saudi Arabia have an ongoing and robust dialog on a full range of counterterrorism issues, including regular high-level discussion and working-level collaboration on terrorism finance issues. When appropriate, we pursue designations of Saudi nationals under pertinent domestic and international laws. The United States and Saudi Arabia have cooperated on over 20 designations of terrorist supporters at the United Nations.

*Question.* When the United States Government has solid information that a Saudi Arabian Government official has condoned or ignored the activities of Non-Governmental Organizations and/or NGO representatives that support terrorist or extremist groups, are such individuals always designated for OFAC sanctions? In cases where they are not sanctioned, what are the policy reasons for not listing them?

*Answer.* United States-Saudi terrorism finance cooperation is generally good, and encompasses a wide range of activities, including designations when appropriate. We regularly raise information on terrorism finance issues with all levels of the Saudi Government, and press for action on a number of fronts. When the U.S. Government comes into possession of solid information that an individual or organization has acted to support terrorism, we can draw from a number of options, such as designation or law enforcement actions.

*Question.* When the United States Government has solid information that a Saudi Arabian financial institution has repeatedly acted to handle funds for Islamic terrorist or extremist groups is it United States policy to impose sanctions on that financial institution? In cases where the institution is not sanctioned, what are the policy reasons for not listing it?

*Answer.* Our strong cooperation with Saudi Arabia on terrorism finance issues has resulted in numerous examples of public designations of individuals and entities, as well as less public actions to address our concerns. When the U.S. Government comes into possession of solid information that an individual or organization has acted to support terrorism, we can draw from a number of options, such as designation or law enforcement actions.

We note that in August 2004 the executive director of the Eastern Province (Saudi Arabia) Branch of the International Islamic Relief Organization (IIRO), as well as IIRO branches in Indonesia and the Philippines, were designated as terrorist supporters by the United Nations and the United States.

