

Senator GRASSLEY. We will go to Mr. Pipes before we ask questions.

STATEMENT OF DANIEL PIPES

Mr. PIPES. Thank you, Senator Grassley. I would like to start, like everyone else, by commending the subcommittee for consideration of Senate bill 2465, which I think is an excellent idea.

My specific task is to consider the question of assets belonging to terrorist groups. I would like to start out by pointing to the fact that historically terrorist groups have had very little money. That has changed in the last 20 years as States have adopted terrorist groups as vehicles, as instruments, for the execution of their own policy.

Accordingly, many groups such as M-19, the IRA, the Red Army, and especially the PLO have developed considerable treasuries. By far, the most powerful of these treasuries is that belonging to the PLO, and that is, in fact, the most germane group for our discussions today.

I would like to consider three questions—how much money does the PLO have, where does it come from, what does it do with it—and finally just touch on the question of PLO assets in this country.

The assets of the PLO are a mystery to the outside world. I have gone through a number of efforts by others to estimate what that total might be, and I have come up with estimates ranging from \$1 billion to \$14 billion. My own guess would be somewhere around \$6 billion is their total assets. It is a very substantial amount of money.

On the question of the yearly budget, there is again a wide variance in estimation, with a low of \$150 million a year and a high of \$2 billion. The details will be in the printed version. The PLO itself has gone public on the question of its yearly budget and, for 1989, has said that that budget was \$274. My own estimate would be somewhere about double that.

Where does this money come from? It comes from a whole variety of sources. The Arab States that back the PLO have provided some of the funding. Palestinians living in the Middle East are in some cases required to provide a percentage of their income to the PLO. The PLO, for 12 years, ran a state within a state in Lebanon from 1970 to 1982 and acquired great funds due to their power in Lebanon.

The PLO is mafia-like in some of the illegal activities it is engaged in, such as protection rackets, robberies, the training of foreign terrorists in hijacking. Some of these have led to substantial windfalls of income.

Individual supporters, mostly Palestinians, from time to time donate money to the PLO. Finally, interest and dividends from this 5, 6, who knows how many billions of dollars, is a substantial source of income.

What is the money used for? Well, the money is used for a whole variety of purposes, as you might imagine. Most importantly perhaps, it provides the PLO leadership with control of some 20,000 gun men. Politically, it allows the PLO to act quite independently

of the Arab States that back it, but back it with an intent to control it. If the PLO has its own funding, it cannot be the puppet of some puppeteer.

The enormous funding of the PLO allows it to repress or perhaps coopt potential rivals to itself; that is to say, when a group such as Hamas in Israel in the Israeli-occupied territories attempts to represent Palestinians, it can't be as effective because it doesn't have the kind of resources that the PLO has.

It allows the PLO to win, to buy, to gain favor with many Palestinians by supporting them in a variety of ways. It allows the PLO to put pressure on Arab governments by moving funds, by offering loans, and in some cases by even making grants.

Not to be overlooked is the fact that this extraordinary sum of money allows for a lavish lifestyle among the leadership. Wealth, in short, has become a central feature of the PLO's presence and influence. Indeed, sometimes I would argue it looms larger than the military and diplomatic activities of the organization.

Given the size and sophistication of the PLO financial apparatus, it constitutes a key power center within the organization. Therefore, I would conclude from a policy point of view that it is absolutely critical to go after the funds because he who controls the funds controls the organization. It is not enough simply to go after the footmen, the soldiers, the terrorists, the individuals. One must strike at the heart of the organization, and that means going after the funding.

Finally, just a moment on PLO holdings in the United States. As a former intelligence chief of the PLO, a man called Atallah Atallah, recently observed, Yasir Arafat uses "mafia techniques designed not to leave a trace," and that, in fact, is a fairly accurate analogy.

It is hard to find PLO holdings in the United States. There are some connected to the PLO mission to the United Nations. There also are some quasi-PLO institutions that are funded in this country. By far, the most impressive and powerful of them is the Arab Bank, a bank which is headed by a man named Abdul Magid Shaman who, in the 1960's, was the chairman of finances for the PLO.

There are clear links. I don't know to what extent they can be established as legal links, but the Arab Bank is by far the most powerful financial organization connected or associated with the PLO that is present in the United States, with a branch office at 520 Madison Avenue in New York City.

I think the extraordinary emphasis that has been placed in recent years on the building of a treasury by the PLO gives you some idea of how much the PLO will not want you to pass Senate bill 2465.

Thank you.

[Mr. Pipes submitted the following material:]

PLO WEALTH

by Daniel Pipes

July 25, 1990

**Testimony prepared for the Subcommittee on Courts
and Administrative Practice**

Committee on the Judiciary

United States Senate

Daniel Pipes is director of the Foreign Policy Research Institute in Philadelphia and editor of *Orbis*, the Institute's quarterly journal of world affairs. Two of his books, *The Rushdie Affair* and *Greater Syria*, have been published this spring.

I would like to start by praising this Subcommittee for consideration of S.2465, the Anti-Terrorism Act of 1990. It is an important, timely, and innovative idea that can do much to further both the security interests of the United States and the personal safety of American citizens abroad.

My specific task is to consider the question of assets belonging to terrorist groups.

Historically, terrorist groups have been fly-by-night organizations disposing of meager assets. Pursued by the police and harassed by rival groups, they were hardly in a position to amass property or invest in the financial markets.

But this changed with the advent of state-sponsored terrorism. Starting about twenty years ago, governments discovered the benefit of patronizing terrorist groups, rather than engaging in terrorist activities on their own. Not only is it cheaper and more flexible to contract out dirty work, but there is less possibility of being found out and held responsible. The Syrian and Libyan governments appear to hold the world championship in terms of the numbers of groups they sponsor — several dozen in each case, ranging geographically from Europe to the South Pacific. Over the years, the North Korean, Soviet, East European, Iranian, Iraqi, and Cuban states have also hosted a wide range of groups.

In return for faithful service, the states have provided many benefits for the groups, including safe houses, the smuggling of people and materiel, and intelligence. Most important of all, of course, governments provide funding. The money can take the form of direct subventions or indirect aid. It has ranged from hundreds of thousands to hundreds of millions of dollars.

While a great number of groups, including the Irish Republican Army, the Red Brigades, and M-19, have benefited from state support, by far the greatest flow of funds has gone to the Palestine Liberation Organization (PLO). As long ago as 1977, *Time* called the PLO "probably the richest, best-financed revolutionary-terrorist organization in history"¹ — and that was well before its real financial build-up took place. Today one can drop

¹ *Time*, 18 July 1977.

the "probably" and say that the PLO stands by itself in the accumulation of wealth. Accordingly, I shall devote the rest of my time to surveying the funding and assets of the PLO.

I shall answer three questions: How much money does the PLO have? Where does it come from? What is it used for? The conclusion then provides some information on PLO assets in the United States.

Before starting, however, I would like to point out that public information on the PLO is murky. This is, of course, no accident; much effort is expended to keep the wealth off the books. Therefore, I cannot vouch for every fact in the following presentation, though I have confidence in the general tenor of my report.

How much money does the PLO have?

The size and extent of PLO wealth has attracted a great deal of attention, and a number of estimates have been offered on total PLO assets. (Unless otherwise indicated, all figures in this paragraph refer to 1986.). *Forbes* has the lowest estimate of PLO holdings, \$1 billion. James Adams, author of *The Financing of Terror*, suggests \$5 billion. *Der Spiegel* and Israeli intelligence say \$6 billion. A private source of mine puts it at \$6.5 billion in 1990. *The Economist* comes in around \$9 billion. *October*, an Egyptian magazine, and the Swiss *Tages Anzeiger* (1988) count \$14 billion. Unwilling to commit themselves, some observers offer wide ranges. *The Wall Street Journal* estimates it anywhere between \$2 and \$14 billion, while Neil C. Livingstone and David Halevy, authors of *Inside the PLO*, place 1989 assets somewhere between \$8 and \$14 billion. Others go beyond mere numbers and enter the realm of hyperbole. Walid Jumalat, the Druze militia leader, has declared that 'Arafat "has enough money to buy half of Lebanon, not to say all of it."²

Estimates for annual income range as widely. *Forbes* and *The Wall Street Journal* come in with \$154 and \$156 million, respectively. *The Economist* says \$250 million. Livingstone and Halevy come in (for 1989) at \$675 million and James Adams reckons it no less than \$1.25 billion a year.

In response to these speculations, the PLO has not breathed a word about assets. But in 1987 it did go public with a budget, which it pegged at \$197 million. However, like Soviet budgets over the past decades, this figure should be seen as very partial, representing the official portion of the income. The unofficial

² *Al-Majalla*, 10-16 December 1986.

portion, variously known as the Chairman's Secret Fund, or the Fatah Fund, is thought to be much larger. Abu Musa, a one-time ally of 'Arafat's, put it this way in 1983: "Saudi Arabia gives him tens, hundreds of millions, to corrupt not to develop the revolution. It does not appear in the books. It is much more than the official contributions."³

My estimate is that total income for the PLO probably exceeds \$500 million a year.

Where does the money come from?

These huge sums come from several sources, and most notably the following six.

(1) The Arab states and the Soviet bloc have offered extraordinary support to the PLO for up to a quarter-century. Since 1973, the PLO has received at least \$100 million a year from the Arab states, and usually closer to \$250 million. Depending on the state, these funds are either given freely, or as a kind of protection money. By far the largest amounts have come from Saudi Arabia; the PLO's representative in Riyadh announced in 1988 that the Saudi authorities had over the previous decade contributed \$855 million to his organization.⁴

(2) Palestinians living in Arab countries are required to pay a tax on income to the PLO that ranges between 3 and 6 percent of their salaries. Some of this money never reaches the Organization, but the levy still provides a significant source of income.

(3) The PLO ran an autonomous state-within-a-state in Lebanon between 1970 and 1982. It engaged in a great number of commercial activities, many of them based on the organization's power. For example, the Popular Front for the Liberation of Palestine ran the Modern Mechanical Establishment, an iron and steel company south of Sidon, which took advantage of its tax-free patron to engage in predatory pricing. After forcing the competition to go out of business, it then raised prices.

(4) Diverse illegal activities are a major source of funds, including drug-trafficking, protection rackets, robberies, training of foreign terrorists, and hijackings. Perhaps the most spectacular examples took place in 1975 and 1976. The December 1975 capture of OPEC oil ministers reportedly netted the PLO \$20 million; a few months later, the PLO participated in the biggest bank robbery of all time and received one-third of the loot, some \$33 million, from the Beirut branch of the British Bank of the

³ *The Guardian*, 4 July 1983.

⁴ *Ash-Sharq al-Awsat*, 25 February 1988.

Middle East. To the extent that the PLO relies on illegal activities, it should be seen as resembling an international crime syndicate.

(5) Individual supporters, almost all Palestinian, make contributions, especially at times of crisis. These range from the very small (the purchase of "Arab Liberation Stamps") to large sums of money. In some cases, timely threats encourage generosity.

(6) Interest and dividends from billions in assets. The Palestine National Fund, sometimes called the PLO's finance ministry, manages its capital by tapping the skills and networks Palestinians have built up, using state-of-the-art computers. Investments are made around the world, but especially in the West. Investments in the West are always covered by front names, once from a Luxembourg base, now mostly from Zurich. Gold reserves have been established, too.

Most investments are apolitical business deals, but not all. "Friendship" projects include factories and farms in places like Syria, Guinea, the Maldiv Islands, and Poland. Funds are on occasion loaned to allies in need, such as \$12 million to the Nicaraguan government in 1981 and \$100 million to Iraq in 1986.

Over time, the relative importance of these sources has changed. State help provided the great majority of PLO funding until the mid-1970s, but this has been overtaken by interest and dividends from assets.

What is the money used for?

PLO wealth provides Yasir 'Arafat with a number of very important benefits.

(1) It gives him control over some twenty thousand gunmen, conventional and irregular.

(2) It allows him to act independently of his state sponsors. The major Arab states have a long history of trying to control the Palestinian movement, often with success. Not needing money from the governments permits 'Arafat more room to pursue his own policies.

(3) Great resources make it that much more unlikely that a rival Palestinian organization will challenge his leadership. Hamas, the only serious candidate, has indicated that it wishes to join the PLO. Half a year after the *intifada* erupted, the PLO responded by offering \$50 million — a clear attempt to bring an unruly upstart under company control.

(4) Lavish provisioning of social, welfare, economic, cultural, and educational services makes it possible for the PLO to win the allegiance of many Palestinians. Accordingly, about three-quarters of the PLO budget goes for such projects.

(5) Moving assets around allows 'Arafat to influence states. He has the means to pressure the recalcitrant and reward friends. He reportedly moved \$700 million out of Jordan when he was displeased with King Husayn's policies in 1986; in contrast, he moved \$200 million into Tunisia. 'Arafat now dispenses money like a caliph of old, especially on trips to poor countries; he can also do favors, such as the \$15 million he is said to have paid fundamentalist Muslims to free three Soviet hostages in Beirut in 1985.

(6) Subsidies to publications can win their friendship. A dramatic example of this occurred in February 1986, when a payment of some \$150,000 to the pro-Jordanian *Al-Quds* newspaper of Jerusalem rapidly turned around that paper's editorial stance.

(7) Not to be overlooked is the opulent way of life adopted by the PLO leadership. Talk of 'Arafat's abstemious ways notwithstanding, he lives like a Middle East despot, in luxury and with his every whim provided for. He and the other leaders have put aside sizeable nest eggs for their personal use.

To maintain close control over PLO finances, 'Arafat personally makes deposits and personally signs large checks. While this highly centralized control leads to gross inefficiencies and resentments, it also makes 'Arafat indispensable. As one Jordanian official put it, "They have to keep Arafat because if he goes, no one will know where the money is."⁵

Wealth has become a central feature of the PLO's presence and influence. Sometimes it looms larger than military considerations. Abu Musa, a former member of the 'Arafat entourage, has stated that the PLO had as much as \$1 billion in Lebanese banks in 1982, and other reports indicate \$400 million of that was lost. According to James Adams, PLO leaders leaving Lebanon "feared the Israeli seizure of their assets more than they did a military defeat."⁶ This heavy dependence on large amounts of money has taken its toll. As one unnamed Jordanian official put it: "The PLO isn't a revolution. It's a corporation."⁷

Given the size and sophistication of the PLO financial apparatus, it constitutes a key power center of the Organization. Abu Musa, who broke away from Yasir 'Arafat's Fatah, has stated this publicly: "Money is his only weapon at present. Distributing it in millions to guerrillas, notables, mayors, tribes. Many things."⁸ One can go further and say that while foiling attacks and capturing

5 *The Wall Street Journal*, 21 July 1986.

6 James Adams, *The Financing of Terror* (New York: Simon & Schuster, 1986), p. 100.

7 *The Wall Street Journal*, 17 March 1983.

8 *The Guardian*, 4 July 1983.

foot soldiers will always remain important, the only way to hobble and eventually end PLO terrorist operations is to hit it where it counts most — in the wallet.

PLO holdings in the United States

Finally, a few words about PLO holdings in the United States. The only known official PLO bank account in this country is at the Chemical Bank branch at the United Nations, which presumably is used to pay for staff salaries.

Fearing liens and other legal problems, the PLO has gone out of its way not to own properties officially. 'Atallah 'Atallah, the PLO's former intelligence chief, has observed that Yasir 'Arafat uses "Mafia techniques [designed] not to leave a trace,"⁹ and this comment certainly applies to PLO dealings in the United States. To take one prominent example, the building at 115 East 65th Street in Manhattan, which houses the PLO's observer mission to the United Nations, is formally owned not by the PLO but by Zehdi Terzi, its observer.

Other properties are even better hidden. The most important of them by far is the Arab Bank, with some \$14 billion in assets, and with a branch at 520 Madison Avenue in New York City. The bank is in large part owned by the PLO and handles the Organization's working accounts. The key investments appear to be made by the Zurich branch of the Arab Bank, many of them by two men in particular, Hasib Sabbagh and Sa'id Khuri. On occasion, these individuals make public grants of money, for example to endow chairs at American universities.

Other banks also hold PLO funds, including the National Bank of Kuwait, the Gulf Bank, and the Central Bank of Algeria. Unfortunately, owing to a 1975 pledge by the U.S. government to keep Arab investments in this country out of the public eye, little information on the disposition of PLO funds in this country is available.

This information gives you some idea just how much the PLO does not want you to pass S. 2465.

⁹ *The Wall Street Journal*, 21 July 1986.

FOREIGN POLICY RESEARCH INSTITUTE
3615 Chestnut Street
Philadelphia, Pennsylvania 19104
(215) 382-0685 Fax (215) 382-0131

August 23, 1990

U.S. Senate Judiciary
Subcommittee on Courts and Administrative Practice
223 Hart SOB
Washington, DC 20510
Attn: Becky Ward

Dear Ms. Ward:

In response to the questions enclosed with Senator Heflin's letter to me of August 2, I can provide the following answers:

Senator Thurmond's questions

1. How does a plaintiff execute judgment and actually obtain PLO assets? Critical in this regard would be (1) either to acquire a list of PLO assets in the United States or (2) to establish conclusively that the Arab Bank is partially owned by the PLO. Toward this end, I would suggest that you subpoena staff and papers of the Arab Bank branch in New York City.

2. How to locate and seize the assets of a terrorist organization? This is not a subject I have much familiarity with. My supposition is that getting an insider to reveal information is critical. In this respect, a terrorist organization might resemble an organized criminal group; in both cases, the key lies in finding a source who will lead investigators to their quarry.

You might also take a close look at the Prevention of Terrorism Act (1989) passed by the British parliament and specifically designed to cut off funds to the IRA. From what I understand, the act (which is the first of its kind anywhere in the world) has worked very effectively.

3. Information on the Irish Republican Army, Red Brigades, and Islamic Jihad? On the first two groups, I recommend James Adams, *The Financing of Terror* (New York: Simon & Schuster, 1986), which provides a thorough account. To the best of my knowledge, Islamic Jihad does not possess substantial assets, but lives hand-to-mouth on money it receives from the Iranian authorities and extracts in Lebanon.

Senator Heflin's questions

1. How much PLO money in the United States? I cannot answer with any precision at all. Investments are probably not very extensive, for the unfriendly climate in this country is reason for the PLO to keep away.

2. Can S. 2465 help cripple the PLO through monetary damages? In my view, S. 2465 can complicate the PLO's existence but it cannot cripple the organization. Ultimately, the PLO rises or falls as a result of political factors more than financial ones. And the really decisive financial factors concern income. For example, the Iraqi invasion of Kuwait means the PLO will probably no longer receive funding from Kuwait or Saudi Arabia. Over the years, these two states may have supplied the PLO with as much as \$10 billion, so the difference will be very much felt.

I hope these responses are satisfactory for your purposes. With best wishes,

Yours sincerely,



Daniel Pipes

Senator GRASSLEY. Thank you very much. I would start with you, Ms. Perdue. I noticed on page 4 of your testimony you state that "A judgment is not worth anything unless it can be enforced." Considering the testimony, as well as response to questions of the Klinghoffers, I wonder if you would still hold that view in light of that testimony from those family members that they are not in this business of suing for the money; they are in it to find out who is responsible so that the world will know.

Ms. PERDUE. Well, yes. Certainly, there is symbolic value to judgments, but I take the gist of the testimony that I have heard earlier to be this is an important weapon against terrorism because it hits them where it hurts, in their pockets. Well, it doesn't hit them in their pockets unless it is structured so that that is accomplished.

Certainly, the symbolism of judgments is nice, but litigation is extremely expensive.

Senator GRASSLEY. As a practical matter, identification of terrorists, because they want their secrecy, might discourage terrorism.

Ms. PERDUE. I am sorry. I didn't—

Senator GRASSLEY. In other words, if you can prove through a civil suit who the terrorist is, identification of an individual who is a terrorist, or terrorism generally in their organization, might discourage terrorism in the future. In other words, I am saying it is not just symbolic; there is also a practical end you accomplish, maybe even without getting money.

Ms. PERDUE. Well, yes, you might, although I would point out that the practical problem, I think, comes the other way around. You can't sue them until you identify them. You have to sue someone to get service of process. Who will you name and who will you serve?

Senator GRASSLEY. So you find out who they are and then everybody else knows who they are, and just because you can identify them doesn't mean that the world has identified them. Once you have brought them to justice, the world might know it.

Ms. PERDUE. Sure. I am a believer in symbolic acts. The gist of my testimony is symbolic acts are fine; if that is what you are doing, fine. If you want a practical effect, if you want the litigation to have practical implications, not simply a mechanism for symbolic effect, then it has got to be structured so that there is actually money that you can—Mr. Pipes has discussed the assets of the PLO. Well, if you want to get at that, the liability provisions have to be clear so that you can get at that. Otherwise, it is a symbolic act.

To be honest, I am not sure that if victims come to realize that, yes, they get to sue and, yes, a court will say you are entitled to \$1 million, but there is no way you will ever see a dime of it—as that reality settles in, that they will feel so vindicated by the fact of a judgment.

Senator GRASSLEY. Well, I think the Klinghoffers have proven that it is much more than symbolism, and I guess our approach is to first give victims the right to their day in court, and then we will let those people decide whether Senate bill 2465 is mere symbolism.

Ms. PERDUE. Sure. Again, I think the fundamental question is the right to their day in court against whom.

Senator GRASSLEY. Mr. Morris, I would like to have you comment—and I assume you heard the State and Justice Department proposals regarding amendments to the bill, amendments that they suggest, particularly the definition of “defendant” and the right of the Attorney General to take action to hold civil suits in abeyance and to restrict discovery.

Mr. MORRIS. I am a former Justice Department official myself, so I have some understanding and some sympathy for their concerns, but I think that they are misplaced in this instance.

First, with respect to the identity of parties, I fear that the position of the Department of State on this issue may be backing us away from what is already the law. There was an important case in this area decided in 1980 by the U.S. Court of Appeals for the Second Circuit, the *Filartiga* case.

It involved, in a sense, the boundary problem of when is an official acting in his official capacity and when is he not. It involved a former Paraguayan police officer who had tortured a Paraguayan citizen in Paraguay, and at this later time both ended up in the jurisdiction of the United States.

The victim brought a civil action in this case against his former torturer, the police officer, in a U.S. district court regarding acts that occurred in Paraguay. The police officer essentially attempted to assert in the defense that he was acting within the scope of his official duties; he was doing what he did as a Paraguayan police officer. The plaintiff in the case argued that his conduct was outside the legitimate scope of a Paraguayan police officer. The court agreed with him and liability attached.

I would not want to see a legitimate concern that the Department of State might have to protect the Act of State Doctrine and not allow this measure to become a way to litigate foreign policy disputes in the court, a just concern, to cause us to retreat from important principles that our law has already established.

So I think that is not broken and I don't think we need to fix it, and I think that the bill as drafted is very careful to preserve the Act of State Doctrine and to insulate genuine governmental decisionmaking from the potential for litigation.

As far as the Justice Department's proposals are concerned, the fact of the matter is I think in the real world government prosecutors and private plaintiffs will probably cooperate with each other a good deal more than they will cross swords. Getting the facts is the crucial thing here, and the system of law ought to be oriented to allow whoever has the best shot at getting to the truth of the matter to have that shot freely.

Often, it is going to be the resources of the government and the prosecutors who will be able best to collect data, especially if the trail leads overseas, as to who is responsible for what. But if that is not that case, if a civil plaintiff is in a better position to blaze the trail in factfinding, our system of law ought to be predisposed to allow that.

If the Government has legitimate and deep-seated concerns regarding the protection of sources, the integrity of methods, the integrity of some ongoing investigation where it sees a direct harm or threat coming from a civil proceeding, it already has available

to it measures where it can seek, on an in camera basis, relief to stay to a limited extent civil proceedings for those purposes.

I don't think any special presumptions need be created here in order to alter existing relationships. It is important that those kinds of questions be decided by independent magistrates, and I think we set off on a dangerous path if we start conferring on the Attorney General a unilateral power by certificate to stop the forward movement of civil suits.

Senator GRASSLEY. Mr. Pipes, I believe that we have already made the case that the importance and utility of this legislation goes far beyond just satisfying a civil court judgment by attaching assets. However, the potential attachment of assets is an important component of this legislation.

You have underscored the difficulty in locating and actually attaching terrorist property. Of course, even though you have focused on the PLO, this new right of action is intended to be used against all terrorist groups, including the new so-called narcoterrorists, who no doubt have many holdings in this country.

In your testimony, you mentioned a 1975 pledge by the U.S. Government to keep Arab investments in this country secret. How is that pledge enforced?

Mr. PIPES. I am afraid I am not able to help on that.

Senator GRASSLEY. Is the secrecy of the Arab-PLO investment any different from other foreign investments in the United States?

Mr. PIPES. Again, I didn't quite have the time to do all the research I would have liked to.

Senator GRASSLEY. OK.

Mr. PIPES. I believe that the Secretary of the Treasury's agreement in 1975 places Arab investments in a somewhat different category from, say, investments from Japan, Britain, or Holland. How that is and what its exact implications are, I would be glad to look into, but I can't tell you right now.

Senator GRASSLEY. We think it would be valuable if you could submit it for response in writing.

[The information referred to is classified.]

Senator GRASSLEY. Let me move on. There have been some news reports regarding alleged money-laundering schemes that have been operated in the United States by PLO affiliates. There have been reports regarding the use of apparently legitimate businesses as fronts, as well as cases involving welfare fraud. Do you have any comments regarding those reports, assuming you know about them?

Mr. PIPES. I know something about them. My general comment would be that if you have money, there is really only one place—if you have got substantial amounts of money, there is only one area of the world you can put that money, and that is in the West; that is, we and our allies, and most of all we. There is just more you can invest in in the United States, everything from Treasury bills to real estate. So people around the world with money tend to invest here, and I would be very surprised if the PLO was an exception to that.

As for money laundering, I don't really know much about it. I don't quite see the point of it because I think front organizations having other names do the business would probably be enough. But

I suspect from what I know that there is probably a fair amount of PLO investment in this country, and that if the U.S. Government put its mind to ferreting those out, it would probably have considerable success.

Senator GRASSLEY. Ms. Perdue, in your opinion, do you think that the predicted frequency that the rights under a proposed statute will be exercised should determine whether the rights should be established at all?

Ms. PERDUE. Well, in a sense, I would say no. The fact that a right might not be exercised is certainly not a reason not to grant it. A conclusion that a right as granted may only rarely be exercised might be a reason to consider redrafting it so that it was broader and more usable, more likely to be used.

I am not urging that the bill should not be passed because people won't want to use it. Quite the contrary, what I am saying is as it exists now it may only serve symbolic purposes, and if redrafted to make it clear that liability extends to the organizations with assets, then it may be more freely and effectively used and accomplish the broader purposes.

Senator GRASSLEY. Mr. Morris, maybe I would ask you to comment on the point of symbolism.

Mr. MORRIS. Senator, this is a case where you put two lawyers in a room who agree on the generals, but will be sure to disagree on the specifics. I think that the bill as drafted is powerfully broad, and its intention, as I read it, is to bring focus on the problem of terrorism and, reaching behind the terrorist actors to those who fund and guide and harbor them, bring all of the substantive law of the American tort law system.

That tort law system generally tracks, and usefully tracks, criminal law doctrines. There is a notion in the criminal law, for example, of vicarious liability. You may not be the person who pulled the trigger, but if you bought the gun, if you pointed out the victim, if you arranged for the victim to be in a vulnerable place, if you paid the expenses of the hit man, if you encouraged the hit man, all while knowing that that is what the hit man was going to do, then you are criminally liable, and you may be liable as well even if you didn't know for sure, but you had a pretty good idea. You may be criminally liable if you were negligent in your knowledge. You could have known if you tried to find out what he was going to do with the gun, the money, the vulnerable victim, and so forth.

The tort law system has similar rules where liability attaches to those who knowingly or negligently make it possible for some actor grievously to injure somebody else. As section 2333(a) of this bill is drafted, it brings all of that tort law potential into any of these civil suits.

Now, it may be that our experience under this law in short order will show that maybe some clarification or tailoring is necessary, but I think you are right in believing that an experiment is worthwhile. Let us make all the tort law in the country available to see what we can do to sort out these suits, all the doctrines of vicarious and shared liability, joint and several liability, and so forth, and let us see if we can't nail all the tort-feasors down the chain, from the

person who starts spending the money to the person actually pulls the trigger.

Senator GRASSLEY. Thank you, Mr. Morris. I thank all the panels. You have been very helpful; all three panels have been very helpful. We look forward to moving forward with this legislation. Hopefully, the record established at this hearing will be such that we will be able to work out differences and finalize the legislation, and that that record will convince our colleagues on the committee and in the Senate that it should pass.

I am going to rush to the Senate floor and leave my staff to do the things I like to do and have some private conversation afterwards. Thank you all very much for participating.

Senator Thurmond will be sending some questions for answer in writing.

The subcommittee stands adjourned.

[Whereupon, at 4:15 p.m., the subcommittee was adjourned.]

