

Calendar No. 736

110TH CONGRESS
2^D SESSION

S. J. RES. 32

Limiting the issuance of a letter of offer with respect to a certain proposed sale of defense articles and defense services to the Kingdom of Saudi Arabia.

IN THE SENATE OF THE UNITED STATES

MAY 13, 2008

Mr. SCHUMER (for himself, Mr. DORGAN, Mr. CASEY, Ms. KLOBUCHAR, and Mr. SANDERS) introduced the following joint resolution; which was read the first time

MAY 14, 2008

Read the second time and placed on the calendar

JOINT RESOLUTION

Limiting the issuance of a letter of offer with respect to a certain proposed sale of defense articles and defense services to the Kingdom of Saudi Arabia.

Whereas record-high gasoline prices are placing considerable fiscal strain on American households that are already burdened by a weakening United States economy;

Whereas the increase in gasoline prices is principally due to the increasing price of crude oil, which has reached a price of more than \$120 per barrel in recent weeks, the highest price on record in inflation-adjusted terms;

Whereas, because United States gasoline refiners must purchase crude oil on the world market, the price they pay is highly sensitive to crude oil production decisions made by entities with significant shares in the market;

Whereas since 1973, the Organization of the Petroleum Exporting Countries (OPEC) has cartelized the crude oil market, effectively controlling the supply and price of petroleum products;

Whereas the Kingdom of Saudi Arabia, through the nationalized oil company Saudi Aramco, controls 98 percent of the more than 260,000,000,000 barrels of crude oil reserves in Saudi Arabia, and daily production of crude oil in Saudi Arabia constitutes more than 10 percent of the world daily production of crude oil;

Whereas, as the dominant member of Organization of the Petroleum Exporting Countries, the Kingdom of Saudi Arabia has historically exercised considerable market power by producing between 1,000,000 and 5,000,000 barrels of crude oil per day below its maximum daily capacity;

Whereas in April 2008, crude oil production by the Kingdom of Saudi Arabia was nearly 2,000,000 barrels per day below its maximum daily capacity;

Whereas crude oil production by the Kingdom of Saudi Arabia in 2007 was approximately 800,000 barrels per day less than in 2005;

Whereas energy economic analysis has determined that, holding world demand constant, an increase by one percent of the crude oil supply of the world results in a reduction by between 20 percent and 25 percent in world crude oil prices in the near term;

Whereas, according to this analysis, an increase in crude oil production by the Kingdom of Saudi Arabia by 1,000,000 barrels per day, which would result in an increase in world crude oil supply of more than one percent, could—

(1) reduce world oil prices by between 20 percent and 25 percent, and result in a reduction in the price of a barrel of crude oil by more than \$25 per barrel from the current price of \$126 per barrel; and

(2) in turn, reduce the price of gasoline by between 13 percent and 17 percent, or by more than 62 cents off the expected summer regular-grade price of \$3.66 per gallon;

Whereas, despite the refusal of the Kingdom of Saudi Arabia to increase its oil production, the Administration continues to reward Saudi Arabia with lucrative arms deals;

Whereas, since October 2007, the Administration has offered to sell the Kingdom of Saudi Arabia \$1,400,000,000 worth of arms, including 900 Joint Direct Attack Munition (JDAM) kits, which are applied to conventional bombs to make them laser-guided bombs; and

Whereas the Administration should cease the sale of weapons to Kingdom of Saudi Arabia unless and until it increases its production of crude oil: Now, therefore, be it

1 *Resolved by the Senate and House of Representatives*

2 *of the United States of America in Congress assembled,*

3 **SECTION 1. LIMITATION ON CERTAIN PROPOSED SALES OF**

4 **DEFENSE ARTICLES AND DEFENSE SERVICES**

5 **TO THE KINGDOM OF SAUDI ARABIA.**

6 (a) LIMITATION.—The issuance of a letter of offer

7 with respect to each proposed sale of defense articles and

1 defense services to the Kingdom of Saudi Arabia specified
2 in subsection (b) is hereby prohibited unless the Kingdom
3 of Saudi Arabia—

4 (1) commencing not later than 30 days after
5 the date of the enactment of this Joint Resolution,
6 increases its oil production by 1,000,000 barrels of
7 oil per day in excess of its oil production as of Janu-
8 ary 1, 2008 (as reported by the International En-
9 ergy Agency); and

10 (2) maintains such increased oil production for
11 not less than 90 days after the date on which such
12 increased oil production is reached (as so reported).

13 (b) PROPOSED SALES OF DEFENSE ARTICLES AND
14 DEFENSE SERVICES.—The proposed sales of defense arti-
15 cles and defense services to the Kingdom of Saudi Arabia
16 specified in this subsection are the proposed sales as fol-
17 lows:

18 (1) The proposed sale of defense articles and
19 defense services to the Kingdom of Saudi Arabia de-
20 scribed in the certifications transmitted to the
21 Speaker of the House of Representatives and the
22 Chairman of the Committee on Foreign Relations of
23 the Senate pursuant to section 36(b) of the Arms
24 Export Control Act on October 4, 2007 (Transmittal
25 Number 08–03).

1 (2) The proposed sale of defense articles and
2 defense services to the Kingdom of Saudi Arabia de-
3 scribed in the certifications transmitted to the
4 Speaker of the House of Representatives and the
5 Chairman of the Committee on Foreign Relations of
6 the Senate pursuant to section 36(b) of the Arms
7 Export Control Act on December 7, 2007 (Trans-
8 mittal Number 08–28).

9 (3) The proposed sale of defense articles and
10 defense services to the Kingdom of Saudi Arabia de-
11 scribed in the certifications transmitted to the
12 Speaker of the House of Representatives and the
13 Chairman of the Committee on Foreign Relations of
14 the Senate pursuant to section 36(b) of the Arms
15 Export Control Act on December 7, 2007 (Trans-
16 mittal Number 08–29).

17 (4) The proposed sale of defense articles and
18 defense services to the Kingdom of Saudi Arabia de-
19 scribed in the certifications transmitted to the
20 Speaker of the House of Representatives and the
21 Chairman of the Committee on Foreign Relations of
22 the Senate pursuant to section 36(b) of the Arms
23 Export Control Act on January 14, 2008 (Trans-
24 mittal Number 08–18).

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