

# Hawaii Reporter

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## Political Tittle-tattle: News and Entertainment from Hawaii's Political Arena - Feb. 1, 2007

*Follow the Money from Hawaii to Terrorist-Sponsoring States; Big Bucks: State's Negotiations Begin Feb. 5 with Hawaii Government Employee Association; Battle Over the Budget: House, Senate Republicans Want Smaller Legislative Budget; Democrat Majority Vote Down Amendment; State Gets An Upgrade; Something Spooky in Hawaii - And This Time Its Not at the Legislature*

By Malia Zimmerman, 2/1/2007 2:29:27 PM

### Follow the Money from Hawaii to Terrorist-Sponsoring States

Both the state of Hawaii's Employee Retirement System and BNP Paribas, parent company of First Hawaiian Bank, the state's second largest bank, have invested substantial sums of money into countries that sponsor terrorist activities, specifically Iran.

That is according to a report by Divestterror.org, which studies both private and public investments in corporations that work with terrorist-sponsoring states. In addition to Iran, these include Syria, Libya, and North Korea.

President of the Center for Security Policy, Frank J. Gaffney, Jr., publishes the Diverstterror.org. He notes there are at least 400 publicly traded companies that collectively have invested \$73 billion into countries in this network.

First Hawaiian's BNP, the largest French bank and the only foreign bank active in Iran, is listed on Divestterror.org as one of the worst 12 offenders or part of the "dirty dozen."

"In total, the company (BNP) is involved in financing projects in that country (Iran) valued at more than \$2 billion. In July 2002, BNP Paribas, along with Germany's Commerzbank AG, led Iran's first sovereign Eurobond offering since the state's 1979 revolution. Originally scheduled for Euro 500 million, high demand for the instruments led BNP Paribas to increase the offering to a total of Euro 625 million. In December 2002, a second offering of Euro 375 million, also led by BNP Paribas and Commerzbank, brought the total raised on behalf of the Iranian government to over Euro 1 billion. The company also is involved in the financing of projects and export facilities in Iran including an aromatics plant and a number of energy and infrastructure-related deals. In total, the company is involved in credit lines totaling more than \$1 billion to increase Iranian trade and development."

The Center for Security Policy takes a strong stance against companies that invest in terror-sponsoring companies: "Until such time as these countries discontinue their sponsorship of terrorism, it is our view that no company, regardless of the scale of their operations, should be willing to do business with them."

Citing three reasons, the Center suggests public pension systems, university endowments and individual investors should divest BNP Paribas stock:

**“\* Hard Currency:** At the same time the U.S. is seeking to deny Iran funding for its sponsorship of terrorism and weapons of mass destruction programs, BNP Paribas, along with Commerzbank, raised well over \$1 billion on behalf of the Iranian government. While U.S. investors cannot legally hold Iranian debt, these offerings allow global investors to provide unrestricted cash resources directly to Tehran. Put simply, there are now millions of investors worldwide that are directly underwriting the odious Iranian regime.”



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“\* **The Role of Finance:** Banks play a vital role in the economies of terrorist-sponsoring states by underwriting projects that create substantial revenues for the government. Without leading banks such as BNP Paribas, the governments of Iran, Libya and other terrorist-sponsoring states would find it more difficult to stimulate the type of development and project financing required to enjoy continued economic growth.”

“\* **Moral and Political Cover:** When leading global companies such as BNP Paribas partner with terrorist-sponsoring states, it sends a clear message to these governments: Sponsoring terrorism is not a concern as long as there are corporate profits to be made. This message undermines U.S. sanctions and international diplomatic efforts.”

The Center also notes BNP Paribas' connection to the UN's Iraq Oil-for-Food program. “BNP was also probed in 2004 by Britain's MI6 and MI5 intelligence agencies for allegedly misusing funds and transactions related to the UN's Iraq Oil-for-Food program. At a November 2004 hearing in the House International Relations Committee, at least three instances were revealed where BNP Paribas reassigned letters of credit from U.N.-approved relief sponsors to illegal third parties.”

(Other companies in the “dirty dozen” are Alcatel SA, ENI SPA, Hyundai, Lundin Petroleum, Oil & Natural Gas Corp. PetroChina, Siemens AG, Statoil ASA, Stolt Nielsen, Technip Coflexip and Total SA. For reports on each of these, see <http://www.centerforsecuritypolicy.org> )

BNP isn't the only local connection to these terrorist-sponsoring states. According to Diverstterror.org, the state of Hawaii Employees' Retirement System has invested around 20 percent its assets in 66 companies that collectively have had a \$21,863,545,000 positive impact on these terror-sponsoring states.

Hawaii isn't alone -- \$188 million in taxpayer funds is sunk into these countries through 87 state-administered pension funds.

“Many of these companies provide critical revenues and advanced equipment and technology to these countries. In addition, each of these European, Asian and U.S.-owned subsidiary companies provides moral and political cover to the governments of these countries, obscuring the fact that they are providing hard currency, weapons, technology and safe harbor to terrorists.”

The Center promotes responsible companies that ensure they don't do business with terrorists. In 2005, the Roosevelt Investment Group launched the Abacus Bull Moose Growth Fund (ABMGF) which became the world's first mutual fund to adhere to the principles of “terror-free” investing.

In a recent column, conservative Dick Morris recommends that President Bush “should mobilize the American people to disinvest in Iran and other terrorist states. He should ratchet up his efforts to persuade states and unions to adopt terror-free investment policies and urge Wall Street mutual funds to do likewise. No public action is required, but massive private action, catalyzed by Bush, can have a huge effect.”

### **Big Bucks: State's Negotiations Begin Feb. 5 with Hawaii Government Employee Association**

Big Island Attorney Ted Hong has been named the Employers' representative to the Hawaii Government Employee Association Wage arbitration panel. Hong, the state's former chief negotiator, is one of three members who will decide the pay raises for Hawaii's largest public employee union's 22,122 members. He will advocate on behalf of the state and taxpayers. Carol A. Vendrillo, the director of the California Public Employee Relations Program at the University of California, has been selected as the so-called “neutral” member of the three-person committee. The HGEA also appoints one member. The hearing begins Monday, Feb. 5 and runs through Feb. 9, and will be held at the Hawaii State Tax office on Monday and Tuesday.

This is one of three public employee unions still negotiating with the state. The other two are the United Public Workers Union with 8,068 members and the Hawaii State Teachers Association with 12,851 members.

For Hawaii taxpayers, the deals that are cut are extremely important. Negotiations determine how much money the HGEA will suck from the state's operating budget and thus how much the raises will undercut state-funded programs or services. The pay raises also could mean taxes or fees are increased.

Hawaii's public unions already have the upper hand because they negotiate through "binding arbitration." A mainland arbitrator, not the governor, has the final say on the amount of the pay raises. That ultimately means the outside arbitrator, not the governor, has the greatest impact on the state budget.

Former Democrat Gov. Benjamin Cayetano, with the help of Democrats Sen. Colleen Hanabusa and Rep. Ed Case, and Republicans in the House and Senate, successfully rid the state of the binding arbitration law in 2001. It was the bravest move he made in his 30 plus years in office. Negotiations were more balanced because the HGEA had to either work through collective bargaining or call a strike. The public union officials who funded their campaigns and helped to get them elected pressured many of these lawmakers. In 2003, the Democrats who supported the change in 2001 reversed their decision, and reinstated binding arbitration.

Public union negotiations are usually handled in secret. state Human Resources Director Marie Laderta did not return calls to *Hawaii Reporter* about pending negotiations with any of these unions. At a recent press conference, Gov. Linda Lingle would not comment, saying she will not negotiate through the press.

In a recent editorial in *Hawaii Reporter*, Lenny Klompus, the governor's spokesman, says the governor's team has been meeting with the unions and has had constructive negotiations. "They have had open and honest dialogue in order to provide a fair increase to the employees while ensuring the final negotiated or arbitrated figure falls within the budget. Governor has also met with the county mayors, who have a role to play in these negotiations. She will continue to show her leadership in this very important area."

### **Battle Over the Budget: House, Senate Republicans Want Smaller Legislative Budget; Democrat Majority Vote Down Amendment**

The number of Republicans in the state House of Representatives has shrunk from 20 to 8 over the last 6 years. But that hasn't stopped the remaining members from challenging the increasing Democrat majority in the 52-member House when it comes to guarding taxpayer dollars.

Yesterday, in the House, the debate turned nasty over a proposed amendment to the legislative budget. House Minority Leader Lynn Finnegan offered the amendment, which sought to limit the increase of the legislative budget. Finnegan noted there was a \$4.5 million carryover from the 2006 legislative session, and that combined with the \$11.6 million allocated for 2007, meant a budget of \$16 million for the legislature and its attached agencies -- double the amount allocated in 2006. She said it was not in the "Republican DNA" to let this pass without a challenge. Finnegan, along with Republican Reps. Colleen Meyer and Rep. Gene Ward, suggested limiting the budget to a total of \$11.6 million and putting the rest in the general fund so it could be used to fund other necessary programs and services and not be withheld from the economy. All 8 Republicans and 3 Democrat dissidents (Reps. Sylvia Luke, Scott Saiki and Della Au Bellati) voted for the amendment, but it died on the floor.

Democrat House leaders Kirk Caldwell and Marcus Oshiro took the lead in ensuring Finnegan's proposal fell flat. They didn't debate the merit and instead made personal jokes at the expense of Republican governor and the Republican Party. Oshiro claimed Finnegan's amendment was "nothing but nonsense" and said "Republican DNA" translated to "Does Not Add." Over the House Republicans repeated objections, Caldwell noted the governor's increasing expenditures, pointing out it wasn't in Lingle's administration's DNA to limit government spending. Caldwell said he is proud of the fact that the legislature has stuck to "0 budget" increase for 7 of the last 11 years, and said "unfortunately same cannot be said about executive branch." Both Oshiro and Caldwell noted Republican lawmakers could voluntarily spend less, but said they wanted to use the money to make sure their staff was paid on time.

On the final vote on the budget bill in the House, three Republicans voted "no": Finnegan, Meyer and Kymberly Pine. Pine said she objected to the legislative budget, not because of the increase, but because Republican staffers are paid less than Democrat staffers and she considers that "unethical."

In the Senate, Republicans Fred Hemmings and Sam Slom voted against the legislative budget bill citing the giant increase as their main concern. Slom said \$1.8 million was going to be used for new computers for all lawmakers and to wire both Houses, even though they were each given computers just four years ago and the Legislature was hardwired at that time.

The legislative funding bill now goes to the governor for her signature. If she signs it, this bill will be the first signed (as it always is) in the 60-day session.

### **State Gets An Upgrade**

Citing “the state’s tremendous progress in achieving financial stability through prudent management,” Standard & Poor’s said Thursday that the State of Hawaii’s general obligation bond credit rating has been upgraded to “AA” from “AA-“

The report, distributed by Gov. Linda Lingle, says: “After a dip in financial condition in the early part of the decade, the state’s fiscal condition is now on solid footing, with audited reserves at historically high levels. Importantly, the state’s economy continues to show indications of gradual diversification as measured by composition of total state earnings.” The combination of strong management, sound financial profile and long-term economic growth also contributed to the higher rating, Standard & Poor’s says.

“With this upgrade, the state’s bond ratings are the highest in the state’s history and will result in lowering borrowing cost for the state,” Lingle says, adding that collectively, the state’s general obligation bond ratings are among one of the highest categories assigned to local municipalities and state governments.

### **Something Spooky in Hawaii - And This Time Its Not at the Legislature**

The Hawaii State Legislature apparently isn’t the only place where spooky, unusual and unidentifiable activities are occurring this year.

KHON/WLTX reports that surfers at Hawaii’s Kewalo Basin and Ala Moana Beach Park spotted unidentified lights in the sky last Friday night, around 6:20 p.m.

The story, which received national attention, quotes Honolulu resident Peter Hollingworth saying the incident as “spooky.” Surfing with his 12-year-old son at the time, Hollingworth says they saw “two lights circling in the sky, about 45 degrees above the horizon” and described them as “two little fireballs with a stream behind which changed directions a few times.” KHON TV-2 skycam, located just across the street, recorded the lights and several bystanders took photographs.

There is no indication from either the National Weather Service or the Federal Aviation Administration that there was anything unusual happening in the area. As KHON noted, the U.S. Military did hold a missile defense test off of Kauai that night, but not until an hour later. No government agency has made an official comment about the citing.

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