

Such a war could not *possibly* be contained regionally and would quickly precipitate general thermonuclear war.

Rockefeller Primes Flashpoints

The regional situation, meanwhile, remains extremely tense and constitutes a potential flashpoint for provoking the Arabs to war. In the wake of last week's inflammatory statements by Begin that Israel considered the West Bank territories "liberated" and would set up scores of new Jewish settlements there, unrest has spread throughout the area. The mayor of one Arab-populated West Bank town has warned that "it will be a

hot summer" and that "extremism breeds extremism."

Simultaneously, the volatile southern Lebanon situation is also heating up, with heavy shelling reported between Palestinian-leftist forces and Israeli-backed right-wing units, and Israeli overflights into Lebanon, according to the Soviet sector press. PLO leader Yasser Arafat warned that a Begin prime ministership would result in direct Palestinian-Israeli confrontations in southern Lebanon.

Sources close to Brzezinski report that a primary fear of the National Security Council is that the Arabs will make direct overtures to Israeli forces, "circumventing the U.S. bridge" in order to cool the region down.

Kuwait Urges Persian Gulf Security Pact

The Arab states of the Persian Gulf are continuing their diplomatic efforts to reach a general consensus on a formula for a Persian Gulf Security Pact. Quoted in the United Arab Emirates newspaper *Al Ittihad*, Kuwaiti diplomatic sources underscored the need for such an agreement, "the intensive contacts currently underway among the Gulf states are aimed at working out a strategy, perhaps for the next 20 years, to achieve some kind of cooperation, coordination and complete understanding among the states in the area." The papers emphasized that Kuwait and other regional governments recognize "that it is not to their advantage to continue to let various regional disputes go unresolved at a time when some foreign elements and quarters are trying to exploit these superficial disputes."

In this connection, Kuwait and Iraq, according to the authoritative weekly *Arabia and the Gulf* are very near to settling a longstanding dispute over the Shatt al Arab at the mouth of the Tigris. At the same time strenuous efforts are underway between the two states to reach an agreement on the volatile border dispute involving drilling rights to oil reserves spanning the still poorly defined joint border. Normalization of relations between Iraq and Kuwait represent a significant step in lining up an alliance of all the Arab Gulf states around a Gulf Security formula, one which is already shaping up to be pro-Soviet.

A major feature of the unification of the Gulf states around such a perspective is the acceptance of a unified

Arab currency, the gold-backed "Arab Dinar." According to a United Arab Emirates (UAE) diplomatic source both the UAE and Kuwait are putting maximal pressure on Saudi Arabia to back the institutionalization of the Dinar, which would eventually extend to the Arab states of North Africa as the underpinning of an "Arab Common Market." For Saudi Arabia to back the Arab Dinar would mean a break with the dollar and Riyadh's continued willingness to bail out Wall Street banks. With Saudi Crown Prince Fahd having returned from meeting with Carter in Washington with nothing tangible to show his Arab brethren, the Saudis can expect even more pressure from their neighbors Kuwait and the UAE to break with their pro-U.S. position.

Kuwait has allocated over \$1 billion for the next three years to build up a strong military to help insure regional security. Aside from numerous purchases from western countries, the Kuwaitis recently concluded their first large scale purchase of arms from the Soviets and are considering a second purchase of Soviet built patrol boats. Similarly, the UAE Commander in Chief of the armed forces concluded a large arms deal with the French earlier this month.

In an interview with the Egyptian press, the Sultan of Oman, who recently joined the bloc of five Gulf countries behind the formation of the Dinar, warned of "designs of the big powers in the area," while calling for more balanced relations between the U.S. and the Soviets. The tiny Gulf Emirate of Bahrain has acted on this perspective by terminating the U.S. base established there since World War II. After three years of squabbles with the U.S. over the issue, Bahrain's Foreign Minister announced last week that the base from now on will only be used as a "supply station."