

# Pressure For Establishment Of Independent Arab Capital Markets

---

## ARAB BANKING

---

In a statement given to the West German trade journal *Handelsblatt* this week, Syrian Prime Minister Abdulrahman Khleifawi stressed the need for the establishment of independent Arab monetary institutions to foster regional trade and development: "Arab capital is being looted by big international banks," stated Khleifawi, in the context of endorsing the recent creation of the Arab Monetary Fund. On the same day, the West German daily *Die Zeit* alleged that two U.S. banks are engaged in efforts to sabotage the Arab Monetary Fund through the deliberate destabilization of the volatile banking nexus in the United Arab Emirates (UAE).

The tiny sheikhdom, the UAE, with more banks per capita than any other country in the world, has been designated the headquarters for the Arab Monetary Fund and is crucial in negotiations between the Gulf states of Bahrain, Qatar, Kuwait, and Oman on the formation of a unified currency. Constant monetary instability resulting from speculation has seriously plagued the UAE since the beginning of the year. According to informed sources, First National Citibank had a hand in February's run on the UAE's currency, the dirham.

The creation of the Arab Monetary Fund and accompanying efforts to reach an agreement on a gold-backed Arab Dinar, is critical to ongoing European, Soviet, and Arab efforts to create a new monetary

system which would be instrumental in fostering three-way trade arrangements between the respective sectors. With a present capital of about \$900 million, the AMF will aid Arab sector development, but in the future the 22 member countries and the PLO hope to increase the fund's scope of activity to the entire Third World.

A representative from the Egyptian Chamber of Commerce this week urged not only an expansion of the fund but the creation of an Arab stock market for investment in the economic growth of the Arab sector, a project already off the ground with the newly founded Kuwaiti stock market. He also stressed the need for a petro-dollar market in the Arab world to expedite regional development until the more difficult task of setting up the unified Dinar is achieved.

Such ambitious economic thinking on the part of the Arabs for which both the United Arab Emirates and Kuwait are in the leadership threatens to undercut Wall Street's access to the billions of petro-dollars keeping it afloat. Just last week the authoritative weekly *Arabia and the Gulf* reported from London that the Arab oil-producing states cannot be expected to fund the floundering International Monetary Fund on the same magnitude as in the past.

However, the biggest question mark in the financial realignment among Arab oil producers still remains Saudi Arabia. While the Saudis have still not agreed to fund the IMF as was expected earlier this year, Riyadh similarly has made no firm commitment to its regional allies, Kuwait and the UAE, and a new pan-Arab monetary alliance.

## South African-Soviet Deal On Gold-Backed Monetary System

---

### GOLD

---

The possibility that the government of South African Prime Minister John Vorster may be considering a detente deal with the Soviet Union based on a new gold-backed international monetary system has been seriously raised this week by a diverse spectrum which includes U.S. political observers, South African officials, British banks and the conservative South African press alike. "Why Shouldn't We Deal With The Commies?" asked journalist Chris Hudson in a recent front page headline in the South African industrialists' *Financial Gazette*. "If we can find no friends in the West, maybe we

should start looking eastwards where we might be surprised at the pragmatism that we find."

The implications this could have for the world gold markets and the entire monetary system are immense: the deal would clearly include Soviet-South African cooperation on orderly gold markets and a political bloc for a gold-based monetary system.

Fear over such possibilities is being largely fueled by what syndicated columnists Roland Evans and Robert Novak, writing in the June 16 *Washington Post*, described as "unimaginable anti-American hostility" in South Africa in the wake of Andrew Young and Walter Mondale's threats of race war. The major City of London forces in South Africa meanwhile are equally horrified at the Carter Administration. Knowing that a war sponsored by Carter's Wall Street backers would have Lon-

don financial interests in Africa as one of its first targets, Barclays, Lloyds and the London "gold pool" merchant banks may be preparing to act as brokers in a South African-Soviet deal.

Professor Arthur Laffer, a University of Southern California economist and an executive of the London-based Hill-Samuel group, put it bluntly to this news service last week. South Africa at this point has only two alternatives in the light of the Carter-Young policy of racial disaster: either "all out war" or some sort of deal with the Soviet Union. Official South African sources, meanwhile stated yesterday that "If the West continues to kick us in the face, we just may go to the East. We'll make the best deal we can." No less a figure that the South African Minister of Information, Dr. Connie Mulder, has told the South African press the same recently, the source added.

Most likely, a "deal" would involve Soviet guarantees for South African survival and expanded industrialization and trade with the East Bloc and Third World, in exchange for a cooperative cornering of the gold market towards organizing a new international monetary system aiming towards the gold-backed international transferable ruble. Under these conditions, furthermore, where South Africa's disastrous balance of payments problems could be dealt with and her internal economy developed — so the Soviets might reason — the real economic basis in generally raised living standards would be established which could well make it feasible for white South Africans to calmly reconsider international demands for an end to the objectionable apartheid system.

Addressing white South Africans in a mid-May issue of the South African magazine *Politikon*, Political Science Professor Peter Vanneman of the University of Arkansas soothingly analyzes the deal in terms of neutralizing backward Maoist Chinese influence in Africa. "Confronted by Chinese militance and Western apathy, the Republic of South Africa (RSA) as a matter of sheer survival may be forced to deal with the USSR, covertly if not overtly...The RSA would probably seek help in restraining the enormous fifth column from Mozambique; and as a quid pro quo, the USSR would probably seek RSA help in retarding Chinese influence in Mozambique...given the increasing sophistication of its African policy, it is conceivable that the USSR could achieve all of its strategic objectives in the area without disturbing the status quo in the RSA in the foreseeable future."

Significantly, conservative South African industrialist Louis Luyt, whose newspaper *The Citizen* attacked "CIA-State Department" funding of terrorism in southern Africa this week, is opening trade relations with the Soviets. The *Johannesburg Star* reported recently that Luyt's Triomf Fertiliser company is taking part in Occidental Petroleum's giant project for supplying 1.5 million tons a year of phosphoric fertilizer to the Soviet Union. "The possibility of Triomf's output being used in this way should ensure full capacity," for entire divisions of the company, the *Star* said.

The June 16 Evans and Novak column makes it clear why this is happening: "Prime Minister John Vorster still has not fully recovered from the shock of his Vienna

meeting with Mondale last month...Vorster returned from Vienna bitter that Mondale did not respond to Vorster's request for spelling out what the U.S. means by...his one man, one vote, at a press conference..."

Mondale's call is not for democracy but to provoke out-and-out war from which the U.S. would emerge superman on the continent. " 'All we are doing now is advocating the overthrow of the South African government,' " one "distraught and dissident U.S. diplomat" told Evans and Novak. The column concludes the result will be "a potential racial Armageddon...whether it is the proper course for U.S. policy is a matter of grave doubt."

#### *The British Angle*

British commercial and merchant bankers reached on the brewing South African situation were uniformly distraught at the war threat and considered a Soviet turn "plausible indeed," as one put it.

Informed observers pointed out that these City of London circles, who have clearly split with Carter's Wall Street supporters on Africa policy, are precisely in the position to act as broker to a Soviet-South African deal. They have long resented the fundamentally Wall Street control over 80 percent of South Africa's mining industry through the Anglo-American Corporation. Anglo-American was formed during the early 1900s when New York's investment banks — Lehman Bros., Lazard Freres, and Kuhn, Loeb — teamed up with Rockefeller's Standard Oil and Dillon, Read to take control of the Oppenheimer family interests, originally financed by N.M. Rothschild and Sons in London.

But Barclay's Bank, historically linked to the Afrikaners from the days when it was the young Boer Republic's National Bank before the Boer War, is the largest commercial bank in South Africa, while Standard and Chartered is the second largest. Lloyds bank, with large commercial banking operations, is also the banker to the U.K. firm Consolidated Gold Fields, the only major mining holding company in South Africa not controlled by or related to the Anglo-American group. Britain's Hill-Samuel bank, deeply involved in South Africa, has heavy director interlocks with Lloyds and Baring Bros., while significant numbers of the other British merchant banks making up the London gold market see their interests as fundamentally divorced from those of the New York investment banks on these issues.

The Chairman of Lloyds International in fact issued a call at a June 5 press conference in Mexico City for a return to fixed foreign exchange rates — which can only mean a return to the gold standard.

One interesting symptom of the times is a suspicious weakness in the international gold price over the past week or so — which at least one Texas gold share broker with South African connections attributes to a European — possibly British — "bear raid." As Nathan Rothschild did to British government bonds after the Battle of Waterloo, banks dump stocks or commodities to cheapen the price, and then hoard up on the sly. Someone, definitely in Europe, maybe in London, says the Texas source, is dumping gold bullion to depress the price of gold mine securities — and buying up the securities at bargain-basement levels relative to their expected future worth.