acknowledged the presence of Cuban and Soviet advisors in their country, helping to rearm and reorganize the Ethiopian army to defeat the numerous foreign-sponsored secessionist groupings threatening to dismember the country. This latter move is a clear signal to the Carter Administration that the Soviets have made a commitment to Ethiopia which they are not going to abandon.

Ethiopian head of state Mengistu is also making peace overtures to various of the secessionists. Speaking to the Lebanese newspaper *Al Horriya*, July 24, Mengistu reiterated his willingness to negotiate regional autonomy with the pro-socialist faction in the secessionist movement in the coastal province of Eritrea. He also offered regional autonomy to Ethiopia's various ethnic groups, within a federal Ethiopia. Mengistu expects the Soviet-aided reorganization of his army to restore his government to a position of strength vis-à-vis the guerrillas in Eritrea, who have now taken most of the province.

In southern Ethiopia, guerrillas of the Western Somali Liberation Front have made numerous attacks on Ethiopian positions in the last week, and both Ethiopia and Somalia have charged the other with border violations with regular troops. The Somali government has also, however, disclaimed responsibility for the actions of the Liberation Front, leaving the door open for a rapprochement.

Far from backing Carter's reckless challenge to the Soviets on the Red Sea, European leaders are backing off in horror from the coming blowup. In response to reports that the British government was joining the rush to try and pull Somalia away from their close Soviet relations with arms deals, London's conservative *Daily Telegraph* today cautioned "Ethiopia will remain the largest community on the Horn of Africa. Whatever happens, it will continue to be of great importance, and it would be foolish to alienate them for a temporary advantage."

French President Giscard, whose foreign policy has been moving further and further from Carter's took pains today to soothe Ethiopia and the Soviets by emphasizing that the visit to France later this year by Somali President Mohammed Siad Barre was a "working visit," and not an official courting of Siad by Giscard. The West German Social Democratic newspaper *Vorwärts* today praised Giscard's Africa policy as "following in the footsteps of De Gaulle," whose Africa policy was noted for its independence from the U.S.

—Peter Buck

Soviets Back OPEC To Expedite Break With Dollar

The Soviet Union has offered the Organization of Petroleum Exporting Countries (OPEC) closer cooperation on the economic and oil fronts as an alternative to going down with the bankrupt dollar system. A number of trade deals and articles in the Soviet press on Soviet-OPEC cooperation confirm that Moscow is proceeding with its efforts to win OPEC trade through new monetary arrangements — a perspective first enunciated through Kuwaiti and French press sources earlier this year.

The Soviet party paper, *Pravda*, in unusual statements published twice in the last two weeks, has praised the Shah of Iran for his independent course toward industrialization and for increasing the role the Soviets are playing in Iranian development. *Pravda* also urged OPEC this week to hasten its creation of an independent oil tanker fleet, a critical precondition to breaking with the multinational oil companies. Noteworthy in this pattern of closening OPEC-Soviet relations is a deal recently signed between Saudi Arabia and Moscow which will supply the officially anti-Communist Saudis with water drilling facilities.

The Soviets are urging the oil-rich nations to use their immense wealth in triangular deals with Europe and Japan for non-speculative investment in industrial and agricultural development of the Mideast. This throws powerful weight behind the anti-dollar factions in OPEC centered around Kuwait and Iraq, both of which have been working overtime to pry the Saudis away from further investment in the inflationary Eurodollar market and U.S. treasury paper. With an estimated $17 billion of Saudi surplus invested in the U.S, most of which is in the Treasury or Wall Street banks, the Saudi Arabians face the immediate decision of going down with the threadbare dollar system or pulling out while there is still time.

The Saudi Arabian royal family has for months been divided over this very issue, with the most viable alternative being to back the Kuwaiti proposed regional currency, the gold-backed dinar. According to a source closely associated with the Saudi Arabian Monetary Agency (SAMA, the Saudi Central Bank), the royal family is showing signs of reaching a consensus in favor of the Kuwaiti proposal. The gold-backed dinar is strongly supported by both the European Economic Community and the Soviets and would directly interface with a European "golden snake" and the Soviet transfer ruble. The second part of a new currency system for the Arab world would be the enlargement of the just founded Arab Monetary Fund to serve as a vehicle for extending loans to both the developing Arab sector and the Third World. The stormy shift now occurring in Riyadh was fueled by the collapse of the dollar as well as by Israeli Prime Minister Menachem Begin's official approval of three Israeli settlements on the West Bank, a move the Saudis associate with Washington.

Rush For The OPEC Billions

Under the pressure of the dollar crisis, the Rockefeller family has engaged in a drive to capture the billions of surplus petro-dollars by attempting to break up the OPEC cartel, through the good services of Senator Jacob Javits and Senator Frank Church. The Saudi Arabians have been the major target of such efforts. On Aug. 6, the International Monetary Fund will convene a meeting of contributors to the so-called Witteveen Fund which includes the wealthiest OECD countries plus the Saudis. Despite months of strongarming, in some cases by David and Nelson Rockefeller personally, the Saudis have not been forthcoming in making their multi-billion dollar contribution to the fund — Rockefeller's "bailout" account for the New York banks. Preceding the meeting, Secretary of State Vance will arrive in the Mideast where he is expected to up the pressure on Riyadh to come across.

Whether the IMF and the dollar survive the next two weeks, however, will be determined in Vienna on Aug. 4, when the OPEC finance ministers hold an extraordinary parley to discuss alternatives to the dollar. A gold option was known to have been the major subject of closed-door talks during the OPEC oil ministers meeting in Stockholm earlier this month. This option is known to be favored by French-centered European financial circles.

Tug of War in Riyadh

According to the West German *Frankfurter Rundschau*, the faction fight between Saudi Crown Prince Fahd, a close associate of the Rockefellers, and a grouping around the second Crown Prince Abdullah who supports the Kuwaiti dinar perspective, has been so intense recently that all government decision-making in the country has come to a standstill. While the power struggle in Riyadh is reported to center around the shape of a new government following the abdication of the ailing King Khalid, in fact it reflects long standing division within the ruling elite over the issue of Saudi Arabia's traditional close allegiance to the U.S. Since the early 1960s, Nasserist linked members of the Saudi elite have opposed Saudi Arabia's one-sided foreign policy. This time, with an historic international shift impending on the monetary front, the divisions in the desert kingdom have reached a head.

A meeting of the country's most powerful princes is to convene in mid-August, at the behest of King Khalid, to iron out the differences and determine the line of succession. Although Fahd is virtually assured of being named king, the real issue is whether or not Abdullah will retain control over the powerful National Guard and receive the first Crown Prince position. Khalid's willingness to abdicate probably depends on his close ally Abdullah securing these two positions, thus preventing the distrusted Fahd from gaining total control over the complex Saudi decision-making process. The current dollar crisis and the recent behavior of Carter and Begin have strengthened Abdullah's hand.

Recent shakeups in the Saudi government hierarchy are being attributed to Fahd's jockeying for support in anticipation of the August meeting. Last month Desalination Minister Mohamed ben Faisal, known to back Abdullah, suddenly and unexpectedly resigned. Shortly thereafter two of Fahd's close relatives were appointed to high cabinet positions. The Cuban wire service *Prensa Latina*, however, pointed out last week that a number of influential princes are increasingly suspicious of Fahd's audacious power play and for that reason could even withdraw their support for his succeeding Khalid.

Pressure for a change in the medieval social structure of the kingdom is being felt within the military. According to a Chase Manhattan source, both the National Guard and the Saudi military are more than ever under the sway of external progressive Arab influences which favor an independent monetary course, including both Egyptian Nasserist networks and the Iraqis. The most recent issue of the *International Currency Review* (ICR) reports that the current regime was nearly overthrown last month by leftists backed by Libya with inside support from a "powerful faction within the royal entourage" that wants "to loosen Saudi Arabia's ties with the U.S." While the coup was unsuccessful, two Saudi pilots defected in fighter jets to Iraq, thus causing a major security clamp down in the kingdom. *International Currency Review* reported that in anticipation of a successful coup, an oil rich country dumped a large amount of dollars — a reference most likely to Kuwait.

Aramco Nationalization Pending

In the first interview given by Saudi Oil Minister Sheikh Ahmed Zaki Yamani since the OPEC meeting earlier this month, he stated that the long overdue Saudi takeover of the oil giant Arabian American Oil Company (ARAMCO) is due in a "few weeks." Yamani's reference certainly alludes to the outcome of the mid-August meeting. It is widely known that Fahd, with a close allegiance to Exxon, has repeatedly blocked the previous efforts to complete the nationalization. *Petroleum Intelligence Weekly* reports that already the Saudis are selling crude to the four partners of ARAMCO, Socal, Exxon, Texaco, and Mobil, as if the terms of the takeover were finalized. The nationalization of this Rockefeller-controlled oil enterprise is a pressing element in the successful establishment of a new monetary system. In recent months, Iraq has taken new initiatives in building regional pressure with Kuwait to force the Saudis to finally sign the nationalization contract.

In a rare reprint of an article from Iraq's *Baghdad Observer* in the most recent issue of the weekly *OPEC Bulletin*, the Iraqi government lashes out at the Rockefeller-founded International Energy Agency (IEA), and its drive for building strategic stockpiles such as the Carter Administration is now implementing. Fahd during his recent visit to the U.S agreed to supply the U.S. with its first shipments of crude for the Louisiana salt storage domes. The *Observer* warned that the IEA was committed to destroying OPEC by taking over worldwide distribution of oil, a warning similar to that which came from Yamani in late 1976.

Soviets on the Move in the Gulf

The Soviets, meanwhile, continue to firm up far-reaching deals with the Persian gulf states, Kuwait, Iran and Iraq. At the same time, these three powerful OPEC countries have begun an unprecedented effort to strengthen diplomatic and trade ties.

Both Iran and Kuwait are presently bartering oil to Eastern Europe as part of an agreement with Moscow to break Comecon dependence on Soviet produced crude oil and thereby allowing the Soviets to market oil to Western Europe. Longstanding regional disputes between these three Persian Gulf countries are rapidly being settled preparatory to expanding economic relations. The Iran-Kuwait-Iraq axis is increasingly a powerful influence on Saudi Arabia within OPEC.