

in recent months has become a new haven for Arab revenues as various Arab nations have opened new branches of Arab banks in France. Paribas has recently gained the confidence of the Saudis and other nations of the Gulf as a broker for placing their surplus petrodollars in foreign investments.

In turn, France has gained a new trust from the Gulf states as an ally in reaching peace in the Mideast that provides for a solution to the Palestinian problem, and undercuts the U.S.-crafted Camp David accords. This Franco-Arab relationship has deepened since Giscard toured the Gulf states this spring.

Since then, France has signed a number of defense-related contracts with the Gulf states. One of the most notable achievements of Franco-Arab relations is a \$2.5 billion contract with Saudi Arabia for naval equipment and arms, expected to be signed by the end of this year. The agreement may include provisions for developing the most advanced French fighter, the Mirage 4000, and building assembly plants for the Mirage 2000 in Saudi Arabia. There has also been speculation that

Riyadh would contribute to financing the construction of the fighter jet.

Iraq-Saudi rapprochement

The sudden visit to Taif, Saudi Arabia last month by Iraqi President Saddam Hussein has been seen in Arab and European capitals as having opened the door for the Gulf states to consider the scheme to reconstitute the AOI. Besides Egypt, no other Arab country except Iraq is thought to offer all of the necessary requirements to house a full-scale Arab arms industry. Iraq has the needed water, industrial infrastructure and indigenous labor force to meet the challenge of servicing an Arab arms industry.

Until the Iranian revolution in 1979, Iraq and Saudi Arabia had been traditional adversaries, given Iraq's longstanding leftist ideology and Saudi Arabia's ultra-conservative outlook. But since the Khomeini takeover, Iraq and Saudi Arabia have forged a formidable alliance that is the basis of a French-backed independent security force for the region.

The diplomatic record of Iraq's Saddam Hussein

Since Saddam Hussein took command of Iraq in 1979, he has consistently fought to make Arab nationalism the basis of his plans for unprecedented economic growth for the Arab world. Hussein has affirmed that the growth of the Arab nation-state is fundamentally challenged by the spread of Islamic fundamentalism centered in the regime of Ayatollah Khomeini. Because of Hussein's outspoken Arab nationalism, he has been characterized as aspiring to become the "new Nasser" of the Arab world.

On Sept. 17, Hussein delivered a speech to an extraordinary session of the Iraqi assembly where he abrogated the 1975 border treaty with Iran and declared his intentions of challenging the Khomeini regime: "We say before you, before the Arab nation and before the entire world, that we have unmasked the false face by which the ruling circle in Iran came to power. This clique has falsely used the face of religion to expand at the expense of the Arab sovereignty and the nobler Arab interests. This clique has falsely used the face of religion to foment sedition and division among the nation's ranks despite the difficult circumstances through which the Arab nation is passing. . . .

The clique in Iran is using the face of religion to flame fanaticism, resentment, and division among the people of the area to serve the designs of world Zionism, whether this clique realizes it or not."

On Feb. 8, 1980 Hussein submitted a major proposal to the Arab League to reunify the fragmented Arab world known as the "Arab Charter." Hussein proposed that no foreign military bases or facilities be allowed on Arab soil. The Arab Charter was, in effect, a sharply worded denunciation of President Carter's State of the Union address where Carter called for the installation of U.S. military bases in the Mideast, East Africa and the Indian Ocean region. The creation of a U.S. military presence in the Mideast is a feature of the Camp David agreements between Israel and Egypt, to which Iraq has been adamantly opposed.

Last month Hussein made a surprise visit to Saudi Arabia, the first by an Iraqi head of state since Iraq's 1958 revolution. During his talks with Saudi leaders, Hussein solidified an alliance between Riyadh and Baghdad designed to create an independent military and security capability to protect the strategic Gulf from outside invasion or subversion.

In 1982, Iraq will become the head of the non-aligned movement of developing countries in place of Cuba. Between now and then, Iraq is expected to dramatically step up its development pace and to install a nuclear training reactor to create a new Arab cadre of physicists and engineers.