

# Pressure For Establishment Of Independent Arab Capital Markets

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## ARAB BANKING

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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

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### GOLD

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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-