

## What's at stake in the Saudi oil scandals

by David Goldman

Authoritative sources report that Saudi Arabia's Sheikh Zaki Yamani took the occasion of Treasury Secretary G. W. Miller's visit to Riyadh earlier this month to accuse the U.S. Administration of complicity in a plan to give the royal family the same treatment accorded to the former Shah of Iran. Enraged, Yamani threw Miller—whom no other senior Saudi official would meet—out of his office.

Yamani reportedly referred to Justice Department muckraking into the relationship between the Saudi regime and the oil industry, potentially implicating royal family members in illegal doings. The Saudis believe—correctly—that this would give fuel to the Muslim Brotherhood insurrectionaries who earlier this month occupied the Great Mosque in Mecca. Various parts of a projected smear campaign have appeared in U.S. East Coast media, including a Dec. 10 *Washington Post* report on the investigation under Attorney General Civiletti and Anti-Trust chief John Sheinefeld, and a Dec. 12 *New York Times* hype of British charges of “embezzlement” against the Saudi Arabian Monetary Agency. The *Times* story alleged that 21 junior royal family members had been shot for participating in an \$18 billion embezzlement scheme.

However, the SAMA scandal unravels to reveal the evident motive for the outbreak of attacks on King Khalid's government: Saudi Arabia is getting into position to take a leading role in a new monetary system which will emerge from the present mess. Emphatically,

America's biggest creditor will *not* unload its dollar reserves; Washington's biggest point of rancor is that the Saudis adamantly refused all proposals for “currency diversification” or “dollar substitution” from the United States, the British government, and the International Monetary Fund.

To take apart the Chinese boxes:

The *Times* story is a hype of an allegation by *International Currency Review* editor Christopher Storey, who has pursued the Saudis for more than two years over the issue of SAMA reserves. The Saudi policy is to bleed reserves from SAMA, their official monetary agency, into private royal family accounts. Storey's latest allegations were prompted by the “disappearance” of \$7 billion of Saudi reserves from the International Monetary Fund statistics during the past several months. The Saudis do this, of course, for good reasons: SAMA was founded 15 years ago as the Anglo-American custodian for Saudi funds. It is not a Saudi institution.

Six Western advisers run the agency, most importantly, Morgan Guaranty Trust and the Robert Fleming investment bank in Britain. Robert Fleming, through its director the Duke of Norfolk, is part of the Sir Keith Joseph faction of the Tory party, which now controls the Thatcher government. King Khalid's antagonist Christopher Storey, by his boast to *EIR*, is a pamphleteer for Sir Keith Joseph. European bankers familiar with Saudi financial policy believe that the Saudis wish to free themselves and much of their funds from SAMA control,

and are siphoning reserves into separate accounts. The British and Americans have become enraged and are attempting to scandalize the royal family out of office.

The most recent, and bizarre, turn in the SAMA scandal is the retention, by SAMA, of United Nations official Erwin Laszlo to conduct the "investigation" into the missing reserves. Laszlo, an associate of Sir Keith Joseph through Laszlo's longstanding Club of Rome connection, is one of the leading operatives for what this week's cover story describes as an "Anglo-Jesuit" plan for the world monetary system.

### What's at Stake

How mammoth the stakes in this are may not be understood, unless the survival of the present Saudi government is put in context of the struggle over what monetary system will emerge through the next few chaotic weeks. The Saudis are one of a few critical "swing" elements that will determine who comes out first. What the perspective of Sir Keith Joseph and his colleagues is was stated in the Dec. 12 *London Times* editorial (see GOLD): "Gold has become the dominant reserve. That is a fact." In other words, as our cover story documents, all the one-worldist mumbo-jumbo concerning "currency diversification" has flopped. The great threat to London is President Giscard's commitment to an early-spring monetary initiative, which the West German daily *Die Welt* says will propose gold remonetization and a dollar link to the European Monetary System.

London has decided that it must field its own "hard commodity option" as a fallback position. Such an option was designed by Sir Keith Joseph's chief economic consultant, Sir George Bolton, a Bank of England adviser and director of Lonrho. (Bolton was instrumental in securing the recent Rhodesia settlement, with its heavy implications for British influence in raw materials trade).

Bolton wrote the script replayed in the *London Times* leader, quoted extensively in this week's gold coverage, one year ago, in a Nov. 2, 1978 Memorandum circulated by the Bank of England. He proposes to convince the United States and the International Monetary Fund to join a gold system under British direction. Strategically, that is possible only if other groups join Britain's side. Specifically, the European Monetary System on one side, and the British-American International Monetary Fund group on the other, each have precisely 404 million ounces of gold in reserve. The Arabs, the Swiss, and perhaps the Soviets, and Britain's commanding position in other metals, will make up the difference.

That is why the British and their American supporters cannot tolerate Saudi financial independence. A major scandal will have broken, for example, over a Saudi Group's purchase of 27 percent of the shares of Sunshine Mining, a leading U.S. silver producer, by the time this issue of *EIR* reaches subscribers (on this, more next issue). The monetary issue was the content of Yamani's reported shouting match with Secretary Miller.

During Yamani's heated interchange with Miller, Yamani briskly responded to Miller's request that Saudi Arabia funnel more of its petrodollars through the IMF by threatening to end Saudi contributions to the Fund if the Justice probe did not stop. Yamani informed Miller that his country knew that the United States had played a critical role in the overthrow of the Shah, by neutralizing the Iranian Army, during the last phases of former prime minister Bakhtiar's tenure. He warned Miller that the Saudis will retaliate against the United States and the IMF by launching a development campaign for the entire Arab world, using Saudi Arabia's petrodollars. Yamani concluded by telling Miller that Saudi Arabia will not break with the dollar or allow a big price rise for OPEC oil next month at the Caracas meeting of the cartel.

That may be the reason a Washington-based Saudi watcher stated today that if the scandal campaign continues it could mean a coup against the royal family by the clique of young princes working with Muslim fundamentalists. He noted that these restive young princes have the same puritanical outlook of the young Saudi prince who murdered Saudi King Faisal in March 1975. He recounted that the Islamic demands of the insurgents that seized the mosque last month are identical to those of Faisal's murderer.