OPEC Demands Development

Why The Arabs Stick With The Dollar

The Organization of Petroleum Exporting Countries (OPEC) concluded a special meeting on May 5 in Taif, Saudi Arabia by announcing its continued commitment to the dollar as the international reserve currency. The meeting, which predates OPEC's regular semi-annual pricesetting meeting by a little over a month, was called together by Kuwait to consider policy respecting the declining value of the dollar, which has cut into OPEC's oil receipts.

OPEC

Both Kuwait and Iraq called upon the 13-member cartel to either adopt a "basket of currencies" to replace the dollar in pricing crude oil, or to stick with the dollar but raise the price of oil. Both demands were overridden by OPEC's two most powerful influences, Saudi Arabia and Iran.

Following the meeting, Iranian Finance Minister Yegeneh justified OPEC's continued support of the dollar by stating: "We don't want to do anything to disturb the world economy." He indicated that OPEC would continue to meet the growing world demand for oil. Both Saudi Crown Prince Fahd and Oil Minister Sheikh Zaki Yamani declared that the value of the dollar will rebound within a month.

What's behind the OPEC decision, however, is better indicated by what its leading Arab members are doing outside OPEC. Ruling factions in Riyadh and Tehran, in particular, have made abundantly clear their commitment to world industrial development, and the use of both OPEC oil and OPEC oil proceeds to foster that development. London financial pressure against the dollar is perceived by the Saudis and others as pressure against world development, which the U.S. economy must play a preeminent role in. But is has put them in a position where they must demand, and have been demanding, that the U.S. respond to OPEC country offers of petrodollar investment in U.S. industries, purchase of U.S. exports of technology, joint development of third nations and so forth.

So this week, OPEC backed the dollar yet again. What happens the next time OPEC meets will depend on the Carter Administration.

Diplomatic Offensive

What exactly have the Arabs been offering? In a speech delivered to an audience of businessmen in Chicago during a conference sponsored by the U.S.-Arab Chamber of Commerce, last week Kuwaiti delegate, Mohammed al Khaja urged the United States to link its immense technological and industrial capacity with billions of Arab petrodollars to develop the Third World. Khoja announced the proposal as a decisive "no" to a plan put forward by a Chicago banker to use Arab oil wealth for speculative real estate investment in the U.S. At the same time the Secretary General of OPEC, Ali Jaidah, broke ranks with his OPEC colleagues last week in order to criticize for the first time the Carter Administration's energy program as having been "too hastily conceived" and "too dependent upon reducing oil imports," according to an AP Dow Jones wire. Jaidah urged the White House heal the ailing dollar by enacting an export policy emphasizing capital and industrial goods.

Both Sheikh Yamani and Saudi Prince Mohammed ben Faisal have called upon Washington to cooperate with Riyadh in using its multi-billion dollar reserve to promote world economic recovery. Yamani was quoted in the *Washington Post* May 2: "We prefer right now to stay with the dollar. We don't want to further deterioriate the value of this currency." He then called on the U.S. "to do more in providing technology to Saudi Arabia, spurring its development and helping to solve its financial problems...We need especially your help to bring peace to this area, and I should put much emphasis on this."

Just prior to the OPEC meeting, the Saudis awarded a record contract to a U.S. firm, Ralph M. Parsons Co., for $10 billion to oversee the construction of an industrial city on the Red Sea. Such contracts exemplify the benefits both the U.S. and other industrialized economies can reap in cooperating to industrialize the OPEC nations.

According to State Department sources, the Saudi royal family has also established private communication links with the Soviet Union around both economic matters and achieving a Mideast peace. Significantly, the Soviet press has more than once praised both Saudi Crown Prince Fahd and Foreign Minister Saud ben Faisal for Riyadh's foreign policy in recent months — a fact belying the customary profile of Riyadh as staunchly anti-communist. Both the growth of Saudi petrodollars since the 1973 Mideast war, which has thrust the Saudis into the forefront of global policymaking, and the emergence of a more educated intelligentsia within the Saudi elite are responsible for such a shift.

The leading members of the Saudi royal family are presently engeged in a series of diplomatic meetings around both economic policy and the related question of peace in the Mideast. Saudi King Khalid along with his Defense Minister and Foreign Minister arrived in Belgium this week for talks on strengthening European Economic Community relations with the Arab world. Khalid will meet with French President Giscard D'Estaing. Crown Prince Fahd will lead an industrial delegation to West Germany in June to solidify trade and economic deals with Bonn worked out by the Saudis last year. Foreign Minister Saud will arrive in Washington following his talks with European leaders to attempt to bring the White House into the framework of economic recovery.

According to a Washington source, Saud, in particular favors a return to the U.S.-Soviet declaration on the Mideast Oct. 1, which begins to deal adequately with the question of the Palestinians, as a basis for negotiating a Mideast peace. This, too, will be a subject of his Washington talks.

Iran Looks West...And East

Paralleling Riyadh's diplomatic aggressiveness, the Schmidt-Brezhnev meetings in Bonn this past week, reportedly discussed both Iran and Iraq as sites of future joint investment. Just prior to Brezhnev's arrival in Bonn, the West German Economic Ministry decided to send a representative to Iraq to discuss investment. At about the same time Czechoslovakian Communist Party chief Husak held talks in Bonn on joint Third World development projects, naming both Iran and India.

Iran, meanwhile, is becoming the focus of Soviet-German triangular deals, exemplified by the multibillion dollar 1975 agreement by which Iranian gas exports to the USSR will be swapped for Soviet gas slated for export to Eastern and Western Europe. After lengthy negotiations, Tehran and Moscow have just completed an agreement to build the second section of a gas pipeline which Soviet Premier Alexei Kosygin called the "deal of the century." The Shah has resumed trade negotiations with East German Foreign Minister Oscar Fischer who visited Tehran last month, and has announced that he intends to make a visit soon to both Bulgaria and Hungary.

At the same time, Italian Foreign Minister Forlani and his Iranian counterpart, Abbas Ali Khalitbari, recently signed a massive barter deal involving Iranian gas for Italian industrial goods; West Germany has just agreed to sell Iran two more nuclear reactors.

—Judy Wyer

Oil Rivals Pull Together

Saudi Crown Prince Fahd this month will make his first official visits to Saudi Arabia's traditional rivals, the neighboring states of Iran and Iraq, in order to finalize an agreement to establish a Red Sea-Persian Gulf Security Organization. The organization will be officially inaugurated at the end of the year with 11 nations participating, including all nations in the Persian Gulf-Red Sea region except South Yemen. The organization is designed to eliminate the threat of terrorism against these two crucial seaways through which a vast percentage of the world's oil passes. It is also a critical precondition for insuring cooperation among the region's nations as they undergo expansive economic development.

The unprecedented agreement — which was put together by Saudi Arabia, Iran, and Iraq — comes at the time when both Europe and elements in the East bloc are cooperating to clean up such terrorist operations as the Red Brigades. Such an anti-terrorist drive has already been felt in the Mideast where both Egyptian police and moderate elements in the PLO have been cooperating in the arrest of terrorist rings with wide international connections.

The developing diplomatic dialogue developing between the Gulf's three most powerful countries signals a new era of political and economic cooperation and acts to further solidify OPEC around world development policies which the Saudis are now discussing with Washington, the Soviet Union and other advanced countries.

London Sends A Message

Why Curtiss-Wright Wants Kennecott

The Curtiss-Wright corporation's much-publicized attempt to take over the Kennecott Copper Company could have a major impact on the entire U.S. economy—an impact which does not depend on whether Curtiss-Wright's T. Roland Berner actually wins this biggest proxy fight in years. What Berner is up to is simply this: On behalf of the London financial community, he is delivering a "message" to top U.S. corporate executives—liquidate assets, cut investment, transform the proceeds into immediate dividends, and to hell with the industrial future—or some London-controlled corporation will organize an ignorant, disgruntled stockholders' insurgency to take you over, or at least force you into a policy change to London's liking.

CORPORATE WRECKERS

As the case of G. William Miller's record at Textron also illustrates, the City of London's policy toward the United States is asset-stripping. The Kennecott affair is essentially a terrorist operation directed at America's top industrial management as a whole within London's asset-stripping campaign.

The relevant background information on the Curtiss-Wright operation itself is as follows.

Last year, the Federal Trade Commission forced Kennecott—the nation's largest copper producer—to divest itself of Peabody Coal Co., the biggest coal mining firm in the U.S. Then, when Kennecott used part of the proceeds to buy the Carborundum Company—a company that Lazard Freres had also been bidding for—Curtiss-Wright, claiming outrage at Kennecott's new investment, bought 10 percent of Kennecott and launched a proxy fight to replace the current Kennecott board. Curtiss-Wright held out as a bribe to Kennecott's stockholders the promise of a payoff from the proceeds of the Carborundum Co.'s resale.