been the near-decisive consolidation of a Peres victory against Prime Minister Rabin for the Labour Party candidacy. Latest reports are that two weeks before the Labour Party nominating convention, Peres has won 1500 of the 2200 delegates. Council on Foreign Relations specialist Zygmund Nagorski noted that "my closest Israeli friend," Israeli Mayor Teddy Kollek, regarded as a dove, has just joined the Peres, thus proving for Nagorski that "there is no chance for peace in the Middle East."

EXCLUSIVE

Saudi Regime Divided On Takeover Of Aramco

SPECIAL REPORT

Within Saudi Arabia's extended ruling family, sharp differences are shaping up over oil policy. The outcome of this fight will determine both the future of the Arabian American Oil Company (Aramco) and Europe's future oil markets.

The complex network of Saudi princes and businessmen that comprise the still largely Medievalist government are divided over Saudi Oil Minister Sheikh Ahmed Zaki Yamani's recent declaration to increase oil production and take a more aggressive stand in determining who buys Saudi oil and on what terms. Yamani's position explicitly means confronting Exxon et al.'s longstanding domination of the Saudi oil business through Aramco.

Yamani is backed by Saudi Arabia's chief sovereign, King Khalid, and the second crown prince, Abdullah ibn Abdul-Aziz, the commander of the Royal guard. His opposition comes from the "modernist" first crown prince, Fahd, whose thinking and training cohere closely to the attitudes of Exxon and its three Aramco "sisters," Socal, Texaco, and Mobil.

The terms of the takeover of Aramco, according to sources close to Yamani, were worked out in December 1976, and have since been awaiting the cabinet's approval. The New York Times reports that it is Fahd and his allies in the cabinet who are withholding their stamp of approval.

It is widely acknowledged by oil industry sources that, following the nationalization, the four Aramco partners will be much more under the thumb of the Saudi government. This was recently previewed by the pairing of the four Aramco companies to four European companies designated to receive specified amounts of additionally produced Saudi crude. Whether or not the Khalid-Yamani wing of the Saudi elite can achieve a consensus favoring the approval of nationalization will heavily depend upon the political will of the European consuming nations and Japan.

Pilgrimage to Riyadh

The feudal structure of the Saudi regime allows for a proliferation of so-called agents of influence — princes, wealthy families, and Mr. Fixits — who, for a price, can lobby with the Royal Family. These agents are loosely strung together into "networks" whose connections are entirely outside the Kingdom. Despite the predominant Rockefeller influence in Saudi Arabia via the four Aramco partners until now, energetic efforts by British, French and Italian interests and independent U.S. oil companies have managed — using long-standing network ties — to factionalize Saudi Arabia to the point of a break with Rockefeller. (See box on Adnan Khashoggi, for example.)

Since the beginning of the year the Saudi capital, Riyadh, has become the site of numerous high level visits from political and trade delegations from both the European Economic Community and Japan. Presently a 20-man delegation from Japan's pro-development "resource faction" of industrialists is conferring with Yamani about the prospects for opening up as-yet untapped fields north of Riyadh in order to supply Japan with badly needed petroleum in return for Japanese high-technology investments for Saudi Arabian development. A similar mission was completed two weeks ago by West German Economics Minister Karl Friedrichs accompanied by representatives of the German state-owned company Veba Deminex. Following consultations in Riyadh with officials from the Italian owned oil company, ENI, the Saudis have agreed to sizably increase crude exports to Italy, including the Montedison and Anic petrochemical companies.

But implicit in all of these new and far-reaching trade agreements is the finalization of the takeover of Aramco. The new oil-for-technology agreements are part of a broader program of the Europeans, Japan, and the Comecon nations to achieve expanded industrial output in the context of a new international monetary system which eliminates the hegemonic role of the U.S. dollar. Realization of this program depends on a secure source of energy outside the Rockefeller-run "seven sisters" orbit, and this is what is at stake in the factional interplay surrounding the Aramco takeover, a fact of which the Saudis are well aware.

For the first time, King Khalid has addressed the question of implicit Soviet and Comecon participation in such a new international economic system. According to Agence France Presse, Khalid recently praised the Soviets for arming the Arab countries and referred to the USSR as a "great country." On the monetary front, two high ranking officials from the Bank of England will be in Riyadh next week for talks with government officials.

U.S. Interference in Saudi Internal Affairs?

Informed U.S. foreign policy sources, as well as leading Western press, have strongly hinted recently that the Rockefeller interests are engaged in "dirty tricks" interventions into the internal Saudi debate to influence its outcome. Various press have recently begun warning of King Khalid's premature death, and Mideast diplomatic sources have reported an unusually high incidence of assassination threats against the life of Sheikh Yamani. The New York Times, itself a proclaimed supporter of Prince Fahd, noted in a recent editorial that Yamani, not a member of the royal family, could be dismissed from his post summarily.

According to a well-informed Harvard source, Prince Fahd has been maneuvering to fully usurp King Khalid's power ever since the King succeeded to the throne following the assassination of King Faisal. Fahd has made a special effort to organize members of the Saudi family behind his policies, which include keeping a ceiling on Saudi oil production, and using the nation's monetary reserves for financial rather than industrial purposes. In so doing, Fahd hopes to win the necessary "consensus" at court.

A pivotal player in this palace intrigue is Crown Prince Abdullah. As the commander of the Royal Guard, largely composed of representatives of various contending bedouin tribes, Abdullah's political allegiance effectively determines who controls the reins of power. Fahd is known to be an arch enemy of the older and more conservative Abdullah, an ally of Khalid. A few months after the death of Faisal, Abdullah's position in the Saudi ruling hierarchy was bolstered at the expense of Fahd.

In recent weeks there has also been a resurgence of scenario-mongering in the western press over the prospects of heightening tensions in the Persian Gulf between Iran and Saudi Arabia, particularly as a result of the two tier oil pricing system, which initially cut into Iran's output of oil. A source at the New York Council on Foreign Relations has speculated that under the burden of waning oil revenues Iran might be induced into a military venture against the Saudis, and according to the French daily Les Echoes, this is the justification Fahd and company are using to block the go-ahead of the increased oil production and Aramco nationalization.

But the latest indications are that OPEC is about to reach a compromise on the split pricing system, which will be rounded out at about a 7.5 per cent price increase for OPEC as a whole over 1976 prices. During the last OPEC meeting in December the Saudis and the United Arab Emirates only went for a 5 per cent increase while the other 11 OPEC members declared a 10 per cent hike. According to the Rockefeller connected oil consulting firm of Walter J. Levy, the compromise would act to delimit Saudi production. However, reports of the agenda of the OPEC economics committee meeting to be held in Vienna next week indicate that the question of a cartel-wide step up in production is a priority; this would give the Saudis the backup to continue in their planned program of stepped up oil output, and takes the pressure off Iran.

Similarly, the British government, with traditional colonial ties to the Persian Gulf states, is working with the Saudis to militarily neutralize the area and minimize the potential for regional flare up. Last month, the government of the tiny Sheikhdom, Bahrain, suddenly called on the U.S. to remove its only naval facility in the Gulf — in operation since World War II — by no later than mid-1977. Two weeks later, the Iranian government withdrew 3,000 troops from Oman at the mouth of the Gulf, a clear signal from the Shah that his aspirations of military domination of the area — carefully built up by former Secretary of State Henry Kissinger — are diminishing. All of this was followed by an announcement from the British that it will vacate the strategic island of Masirah off the mouth of the Persian Gulf in the Indian Ocean by March 31. At the same time, the London Sunday Times reports that the Sultan of Oman has ruled "out of the question" the prospects of the U.S. replacing the British.

EXCLUSIVE

Why The Riots Happened:

Behind Sadat's Open Door

Egyptian President Anwar Sadat is currently undergoing the most severe test yet in his six-year reign as a result of a remarkably unsuccessful attempt to impose unpopular International Monetary Fund "economic reforms" on Egypt's population. The reaction to the announced new measures in mid-January was so intense that Sadat has in calculated self-defense launched a bitter anti-Communist crusade throughout the country, introduced a series of repressive legislation, and begun to rely for political support on the extremist Islamic nationalist right-wing forces associated with the Muslim Brotherhood and related groups. This radical departure from the pro-Soviet, pro-development legacy of ex-President Gamal Abdel Nasser has now placed in jeapardy, Sadat's power, with all the serious implications that fact holds for instability in the war-torn Middle East.

Sadat's current woes are not a sudden, unexpected development, but the lawful consequence of a consistent policy line adopted by Sadat since his 1970 accession to power — the attempted full re-incorporation of Egypt into the IMF-managed system of international loans.

The invariant theme of Egyptian President Anwar Sadat's six-plus years in office, underlying all the momentary, tactical twists and turns and internal balancing acts, is his evident intention to repeat the late nineteenth century historical tragedy in which Egypt be-