

Saudis Split On Whether Or Not To Bail Out IMF

The Arab-African summit meeting that took place last week in Cairo poses the question: Will Saudi Arabia agree to use its vast wealth to bail out the International Monetary Fund, or will it instead move to finance development projects in the Third World and in the advanced sector as well?

On March 6, the *New York Times* issued an editorial call for Saudi Arabia to extend \$15 billion to the IMF, which is now virtually bankrupt as a result of the Third World's inability to service its debt to the Fund. Other OPEC countries, most notably Kuwait, as well as West Germany, the Netherlands, and Switzerland, are also being pressed to "contribute toward a substantial and rapid increase" in the flow of funds to the IMF. H. Johannes Witteveen, director of the IMF, traveled to Saudi Arabia last week to personally pressure the Saudis into propping up the Fund. Chase Manhattan Bank president David Rockefeller also went to Saudi Arabia in an effort to convince the Saudis to convert their short-term deposits at Chase into long-term accounts, for reasons of "stability." According to the *New York Times*, the Carter Administration is squarely behind the IMF's drive to maintain the current debt structure and to prevent the emergence of a new world monetary system. The IMF, said U.S. officials, is "an integral part of the Administration's economic strategy" and is necessary for "world stability."

But the Saudis — in particular the pro-development factions close to Oil Minister Zaki Yamani — are strongly resisting the bailout scheme. Leading Middle East analysts are skeptical that Saudi Arabia will have anything to do with the \$15 billion debt rollover plan (see excerpts below). Spokesmen for both New York's Chemical Bank and a Philadelphia think tank discounted reports that the Saudis will bail out the IMF, and a member of the Senate Foreign Relations Committee anxiously said, "If the Saudis don't come through, I'm not sure the IMF will survive." According to the London financial monthly *The Banker*, the Saudis are resisting pressure to have their aid to Egypt be funneled into debt servicing and instead prefer real economic development.

Yamani is leading the resistance, and has come into direct conflict with Prince Fahd, who reportedly favors removing Yamani from his powerful post and sending him out of the country as an ambassador. According to a former State Department official, Yamani is currently winning hegemony over the pro-IMF forces in Saudi Arabia, who insist that Saudi Arabia refrain from investing in development projects and instead deposit its money in banks or use it for treasury bonds. Yamani, on the other hand, is pushing for long-term Saudi investments in Western Europe and North America as well as for increased oil production. In an interview in the *Sunday Times* of London, Yamani reaffirmed his policy of keeping oil prices down, saying emphatically, "We're sticking to our guns," and stressing his intention to fight "through 1978" if necessary.

Yamani also linked the question of oil prices and Saudi

plans for increased oil production to Saudi investment overseas: "We want you to help us invest out reserves abroad at a fair rate of return." Yamani tied this entire package to the speedy resolution of the North-South talks and the rapid settlement of the Arab-Israeli crisis, stressing that the alternatives are a growing war threat and possible coups in Egypt, Syria, and Jordan. A spokesman for the Washington-based American Enterprise Institute has noted that if there is no substantial motion toward an overall settlement soon in the Middle East, the Saudis will be forced to consider the war option.

"You Have No Idea What Promises Carter Is Giving The Saudis"

A leading Midwestern banker who recently returned from a tour of the Gulf States had this assessment:

From what I know, April will be the month when the Saudis make up their minds whether to stick with Carter. Now there are enormous pressures coming from the IMF and from David Rockefeller. Yamani, it seems, has no power over the Saudi Arabian Monetary Agency — Fahd has the real power there. It appears that everything will depend on the political steps taken by the Carter Administration.

You have no idea what promises Carter has given the Saudis, and is still giving them. The Saudis are depending politically on the U.S. to consolidate Saudi power in the Persian Gulf. So if the Saudis get assurances from Carter and the U.S. that the U.S. will help them consolidate their Gulf power and if, secondly, they get a Geneva conference this year — the Saudis, you know, are terrified over the possible radicalization of the Mideast — then the Saudis will go with the IMF. If not...

But, you know, incredible secret promises have been made to the Saudis by Vance. I can't tell you the details but this is undoubtedly true. And, with these promises being given, it is not unlikely that Fahd will push Yamani into the post of ambassador to either London or Washington.

Opposition inside Saudi Arabia is described by the *Baltimore Sun* as "tougher than expected," but Yamani is reportedly gaining the upper hand. According to the British press, the Saudis have launched a "new policy" of offering "major industrial contracts" to the Third World, with subcontracts extended to European — mainly British — firms. An Indian consortium is currently negotiating several development contracts worth hundreds of millions of dollars, in what promises