

Soviets, Saudis Eye Political Deal On Middle East

The Soviet Union and Saudi Arabia are cautiously eyeing a political deal over the intensifying Middle East crisis. The rapprochement between the Soviets and the traditionally anti-communist Saudi Arabians, who have never had diplomatic relations with Moscow, is the direct result of the uncertain future in Israel following the surprise victory of the extremist Likud bloc in Israel's elections on May 17.

According to informed sources, for the first time ever, a Soviet delegation is in Riyadh this week for discussions on the initiation of trade on a much larger scale than the present meager \$3-4 million yearly between the two countries. A former U.S. Mideast diplomat commented, "If this story is true, it would be a most unmistakable political signal from the Saudis to the U.S." The shift towards Moscow is reflected by increased political strains in Riyadh. A U.S. Mideast analyst reports that three weeks ago an almost successful coup was attempted against Crown Prince Fahd, the deputy Prime Minister, who has wielded sizeable power since the death of King Faisal. Second Crown Prince Abdullah, an arch enemy of the fervently pro-U.S. Fahd, was behind the coup attempt, and is a close ally of the ailing King Khalid, who recently publicly acknowledged the role of the Soviets in the Middle East.

The Palestine Liberation Organization has played a pivotal role in bringing the Arab world closer to the Soviets, a goal repeatedly voiced by PLO chief Arafat since his meeting with Soviet Communist Party leader Brezhnev. Recent statements made by PLO executive member Khaled Hassan in Tokyo indicate that top levels of the PLO are working closely with the Saudis on the monetary front. Hassan announced that once a Palestinian state is formed, imported Japanese technology will be paid for with petro-dollars. Hassan over the past month has been in Riyadh for talks with leading officials.

In addition, the Saudis and their Persian Gulf neighbors have agreed to finance a rapid expansion of trade between Egypt and the USSR, including military and industrial purchases, according to Egyptian sources. The terms of such an arrangement were worked out during a visit to Moscow last week by Egyptian Foreign Minister Ismael Fahmi, where longstanding troubled Soviet-Egyptian relations took a turn for the better.

The move toward closer ties between Egypt and the USSR, backed by the Saudis, is part of a general realignment of the Arab world in the direction of the Soviet Union and Western Europe, linked to a strategy of triangular cooperation between the Arabs, the socialist countries, and Western Europe in a mooted

Mediterranean Security Pact. Such an accord is viewed as the basis of those three sectors to establish the beginnings of a new world monetary system that would shut out the New York banks.

It is this perspective that lies behind the call this week from Yugoslavia to include the Arab countries in the current East-West conference in Belgrade. Yugoslav Foreign Minister Minic said that his country had "consulted with the non-European Mediterranean countries," and would ask that the Arabs be included when the conference begins June 15. — Judy Wyer

'The Saudis Want To Make Real Investments In The West'

The following is an interview with a veteran U.S. diplomat to the Middle East:

Q: Will the Saudis sink funds into the IMF as they are being requested?

A: They're going to give something, but considerably less than they were asked to. The Saudis don't consider themselves a rich country. They are very concerned about internal investment: schools, hospitals, parks, and so on. They feel that if they gave money to everyone who asked, they would be spent five times over.

Q: They've also been asked to invest long-term, but so far they are keeping their money in highly liquid form.

A: Yes, but that will change. The Saudis want real investment, and in specific projects in the industrialized world, such as factories, refineries, petrochemical plants, and so on.

Q: David Rockefeller and others are demanding that the Saudis invest in long-term bonds...

A: Not a chance. They are not interested in that.

Q: What do you make of Saudi Arabia's moves to partially nationalize foreign banks operating in Saudi Arabia?

A: That story's an old one — been around for 18 months. It has just taken a while to implement it. The Saudis didn't want to force the banks into it but said that if the banks did not go along they would have no growth. Otherwise, they would have to accept 60 percent Saudi participation. Citibank said that it would never go along; of course, it's a mistake to say never. Now, Citibank has accepted the partial takeover.

Q: A Soviet trade delegation was recently in Saudi Arabia...

A: Really? That is extremely interesting! It would be a most unmistakable political signal to the U.S. Theoretically, of course, Saudi contacts with the Soviets or other communists are forbidden, but that is not really effective. There are people in Saudi Arabia, but Prince Saud is not one of them, who want closer relations with the USSR. Why? Because they want leverage with the U.S. They say: "The U.S. takes us for granted, thinks we are congenitally anti-Communist. Why can't we establish links with the USSR while keeping close Western ties?"

Carter May Make A Deal With The Russians

The following is an interview with the U.S. Mideast analyst:

Q: What is your impression of the consolidation of Soviet-Arab ties?

A: An Arab swing to the Russians will always follow any worsening in the Mideast situation. The problem is that the Egyptians, if they do not get military aid from the USSR, will be ineffective militarily for years. They can't really shift to the West in practical terms. And the Russians are desperate for hard currency, and therefore may be more flexible with the Gulf states who can provide them with some petrodollars.

Q: What about Israel?

A: My impression is that it's amateur night in Washington, when it comes to the Middle East. Now, without the Democratic Movement for Change, Likud will take a hard line, and there will be virtually no chances of negotiations. Therefore, the U.S. has no leverage, either economically or militarily, with Israel. If the U.S. cannot move there — and I do not see what they can do — then our whole deal is going to fall through. Then, it's a free-for-all...The Egyptians are trying to shift toward the Soviets. I think that the Carter Administration will try to seek an arrangement with the Russians to stop this drift. You know, there is a permanent U.S.-Soviet commission on the Middle East that was set up by Vance in Geneva last month.

Q: But the Soviets may seek a deal with the West Europeans instead and try to shut the U.S. out of the Middle East.

A: I don't know, but if Washington felt that was in the works, then there would be real panic. Real panic.

The following is an interview with PLO Foreign Affairs minister Farouk Kaddoumi from the Italian daily Corriere della Sera:

We will not lose our heads. If the Israelis want to be governed by fanatics, it is their business. Israeli extremism will not produce Palestinian extremism. The refusal of Israel to withdraw from the occupied territories will not lead us to ask for the whole of Palestine. We have a defined position, which is to ask for the West Bank and the Gaza Strip...

The situation is sliding dangerously. The political situation requires an energetic action from the U.S.A., whose responsibilities are growing. The U.S. must not limit itself to general interest but must act. Every country that will be affected by a Middle East war must act, such as the Europeans.

Israel is not going for peace. We thus need to deepen our relations with the Soviet Union. This has been the main target of Arafat since he met Brezhnev in Moscow to establish closer cooperation between the Soviet Union and the Arab countries.

The following is an excerpt from an interview with a PLO official in Rome published in the Italian Communist daily L'Unita:

Is the U.S. still working on the basis of the Kissinger diplomacy, which is to create a crisis and then to mediate it? Is the U.S. willing to have a fifth Israeli-Arab war before starting another round of step-by-step diplomacy? I cannot answer, but one thing is sure: We, the PLO, want peace.

The spokesman stressed that the PLO is seeking to bring the Soviets and Arabs closer together.

Menachem Begin: Monkeywrench In The Mideast

ISRAEL

Matti Golan, author of the *Secret Conversations of Henry Kissinger* and the journalist instrumental in felling Israeli Prime Minister Rabin, has aptly summed up the response of the Carter Administration to the new Likud government of Menachem Begin: "The U.S. doesn't like Begin and will try to topple him," writes Golan in the liberal daily *Ha'aretz*, known to reflect the views of war-

hawk Moshe Dayan. And says Golan, "The U.S. knows how to topple governments."

For all his dogmatic positions, Begin himself represents a formidable obstacle to the Carter Administration and its Rockefeller controllers. For one, "Begin hates Kissinger's guts," revealed a Mideast insider. "He is violently opposed to a return to step-by-step diplomacy."

Second, although Begin is not likely to jump into a Mediterranean peace pact with the Arabs and Soviets, the Likud leader, who is by no means under the thumb of the White House, has the option of striking a deal with the