

Arab Monetary Fund fights for stability

The Fund's head talks to our Brussels correspondent

Dr. Jawad Hashim, the President of the Arab Monetary Fund, gave the interview below to Executive Intelligence Review correspondent Paolo Serri in Brussels Dec. 14. Dr. Hashim, an Iraqi, was schooled at the University of Baghdad and the London School of Economics, and served in 1967-68 as Director-General of Planning for Education and Social Development in Iraq and as Editor-in-Chief of the Iraqi Economist. He was Minister of Planning in 1968-71 and in 1972-74, and Economic Advisor to the Office of Economic Affairs, Revolutionary Command Council, from 1974 to 1977. He has been President of the Arab Monetary Fund since May 1977.

Dr. Hashim reflects the solid pro-dollar sentiment of the leading oil-producing nations in the Mideast, and his expressed views are in agreement with a recent editorial which appeared in the Saudi daily Okas on the necessity of returning to a gold standard.

The Arab Monetary Fund only opened its doors for business late this summer, shortly after the formation of the European Monetary System. The AMF had a long gestation period having been planned and negotiated for several years prior to its founding this year. According to informed banking sources, the AMF will act initially as a fund for helping the 22-member Arab nations to balance their deficits and to maintain currency equilibrium. This will ultimately lead to the formation of a unified Arab currency, the dinar, which will greatly streamline the final integration of the Arab world. Loans for Arab economic development will be administered through a number of large Arab and Islamic development funds. The Arab world envisions developing an independent and interconnected financial infrastructure to aid in the process of economic development.

EIR: What is your impression of the new European Monetary System, particularly in view of last week's declaration by Chancellor Schmidt that the EMS will be a positive step towards a new world monetary system?

Hashim: First of all, what is now published about the European Monetary System is not enough to judge how the system will operate, and if you know how it will operate, then whether this operation will be successful or not. I believe that after two years the system will be changed to a European Monetary Fund, and if it is used to correct disequilibria in balance of payments, then we will be having some sort of regional International Monetary Fund. Now we have the Arab Monetary Fund, then we will be having the EMF, so probably this will create more stabilizing instruments and a world monetary system. Up

to now, the International Monetary Fund did not succeed in bringing, let's say, a proper remedy to what is called disequilibria. They have the means and instruments to control deficit countries, while disequilibria occurs whether you have deficits or surplus.

Let's see if the EMS is successful in its first two years of trial. I hope this will be a means of stabilizing the international monetary disorder. However, we may conclude that the durability of the EMS and its international implications require coordination of exchange rate policies with third countries and, as far as possible, consultations with them.

It is also of great importance to point out that the creation of the EMS had not been accompanied by detailed work on assistance for the less developed countries.

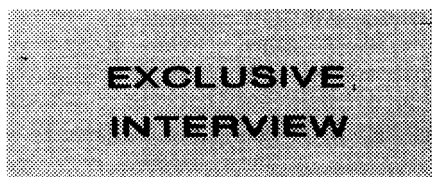
EIR: The French coalition UDF [French President Giscard's

parliamentary coalition, the Union for French Democracy — ed.], which supports the policies of President Giscard d'Estaing, in view of the immediate realization of the new European Monetary Fund, proposed yesterday the creation of a fund of up to \$100 billion for the development of the Third World, along the line of the Marshall Plan. High level West German banking sources have confirmed to us that the EMS will lead to a "world-wide investment bank." What's the existing or future possible level of collaboration with the Arab Monetary Fund?

Hashim: As far as my institution is concerned, I'm for any cooperation which really leads to an orderly behavior of the whole international financial market, because anything that happens in the world affects the Third World and the Arab countries especially. We have now reasonable cooperation with the IMF, and I believe that if the EMS operates in such a manner that it can control, or put conditionalities on surplus as well as deficit countries, then the Arab Monetary Fund which now represents 21 Arab countries will be willing to cooperate as long as this leads to some stability. This is our concern. We always emphasize the importance of stability in the monetary system.

EIR: President Giscard's and Chancellor Schmidt's thinking, as they have publicly expressed it, urges major development projects, in Africa for example, and elsewhere. Do you see any possibility for future multi-lateral projects involving Japan and the Comecon countries, for instance, in key high-technology development projects in Africa?

Hashim: As I told you, I don't have a clear-cut idea of



what are the prospects and the future of the EMS, but probably this will lead to three poles, three centers in the world, i.e. a dollar center, an EMS center, and a yen center.

EIR: Just concerning the dollar and yen. In an interview with EIR some time ago, the official spokesman of the West German government stated emphatically that the EMS is not against the dollar, quite the opposite, it will support the dollar, that's the intention of Chancellor Schmidt . . .

Hashim: . . . Well, I think that of course any stabilization of the dollar is very important for the whole world, whether we like it or not, because of the size and the volume of the dollar, because of the American economy, the GNP of which is 35 percent of the world GNP. No other currency in the world can replace the dollar in the foreseeable future. The stability of the dollar is very important, for the European allies of the USA, for Japan and the whole Third World. In my view any drop in the value of the dollar, although it strengthens on paper other currencies, like the DM or the yen or whatever other currency, in the long term it is going to hurt, and you will see, and we have already started seeing, to hurt the economies of the European countries and Japan. It has already reduced their exports to other regions, it has already reduced their construction activities, for example in the Middle East, because it's becoming very expensive.

EIR: What do you think of the new role gold can play in the context of the European Monetary System?

Hashim: That was Charles DeGaulle's opinion, remember, going back to the gold standard, and at least during that time the international monetary structure was more stable than the floating-rate system. Because the floating-rate system was meant to operate in only one direction and what has happened now is that it is operating only for speculation and profit-taking . . . The situation is different now, but if gold was there probably we would have a more stable situation than we are facing now.

EIR: Third World countries such as Zambia and Malaysia are trying to outflank and reject the stranglehold of the London raw materials market. In this context, what do you think will be the implications and repercussions of the creation of the EMS, and a possible

collaboration of the EMS-AMF to replace the City of London?

Hashim: First we must differentiate between commodity market and money market. As far as the first type of market is concerned we, the AMF, are out of it. We are mainly concerned with the money market. Thus if the proposed new market, as you say, is mainly concerned with the pricing of raw materials and primary products then I am with it. But if it is another dollar market then we should study the implications of creating such a market before really giving any opinion.

EIR: President Giscard, in his recent meeting with King Hussein of Jordan, for the first time explicitly rejected the Camp David Agreement and warned in very strong terms against the danger of a new war. In particular, we add, given the Kissinger deployment into the Middle East. How do you see the situation now, after the now almost certain death of the Camp David Accords?

Hashim: Well, if you ask me about Camp David, as an Iraqi, and as an Arab, I think what is happening to the Arabs is the most ruthless thing to happen to them. They are paying a very heavy price for no crime they committed. The Jews were killed in the West, and we are paying the price. I was in the USA during the Camp David Accord, and I can say that it is Carter's most unrealistic achievement, and it will not lead to a peace . . . I met many American Senators last summer who are supposed to have an objective view . . . They don't know where Saudi Arabia is, they don't know whose capital Baghdad is . . . If we take the resolution 242, which is the minimum the Arabs could accept, the 242 on which even the Americans have agreed, do you think a separate accord between Israel and Egypt would lead to peace and stability? I doubt it. And I think that any advice which had been given to the American Administration to that effect, was wrong advice. I don't want to mention names but I met some people really close to Carter three days after the signing of the Camp David Accord, and they didn't believe that this would work out. Now, today, the Israelis even rebuffed the American-Egyptian proposal. In my opinion the whole issue of Camp David is misleading, unjust and very very dangerous. The Palestine issue cannot be resolved without the return of all Palestinians to their homeland. Have you ever witnessed a similar case in the history of mankind where millions of people were thrown out of their homeland and other people came and settled in their place?