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# THE LINK

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## The Arab World: A New Economic Order

By Youssef M. Ibrahim

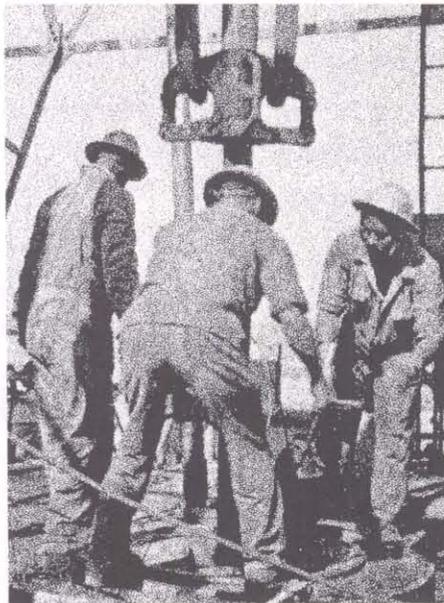
Many years from now, when historians look back at these turbulent times, there is little doubt they will judge 1973 as a watershed year. It was the year, they will note, when the Middle East jolted history into a new path; when the Arabs and Israelis waged their bloodiest war in decades of unbroken enmity; when the West faced its most serious oil embargo; and, when the price of fuel, the most vital of all commodities, quintupled.

Above all, 1973 was the year when a new world economic order was launched. With dizzying speed, hundreds of millions of dollars began flowing into the treasuries of the oil exporters, who for years had complained they were selling their only source of revenue at prices arbitrarily set for them by others. And the world began to learn a great deal more about a previously little-noticed organization named OPEC, the coalition of thirteen oil-exporting nations that banded together in the hope of getting what they thought was a "fair price" for their oil. Although made up of geographically diverse nations, OPEC was dominated by Arab oil producers.

Gradually, the media began to watch and to study the newly emerging powers: Saudi Arabia, Kuwait, Algeria, Libya, and Iraq. New, little-known Arab countries also began to surface in

Youssef M. Ibrahim, a business reporter for *The New York Times*, has covered the Middle East for other American publications since 1973.

the press: the United Arab Emirates, Qatar, Oman and Bahrain. Together, these nations sat on nearly half the world's known reserves of crude oil, and they controlled OPEC.



Oil production and exports are the key to the development boom in the Mideast.

In the West, OPEC and more particularly its Arab members, were not at all well-viewed. Outcry against the higher oil prices led to daily charges in the media of blackmail against the Arabs. Banner headlines and editorials demanded "tough action"; protest ran the gamut from urging a food boycott to suggesting a permanent military takeover by the West of the oil fields in the Middle East.

When these alarming reactions died down, a new and more poignant form

of psychological warfare was launched against the Arab members of OPEC, and the alleged dangers their new wealth presented for the world.

Throughout 1974, the Arabs were accused of financial recklessness. They, it was said, would destabilize the world money markets by moving suddenly billions of dollars from one market to another, from one currency to another, and would wreck the fragile balance that holds world banking together.

It was also said that Arab oil producers would not be able to spend all their income, and that they would use their surplus to buy up Western industries and gain control of Western economies, threatening the security of the Western world. The Arabs in turn tried to explain to a skeptical, sometimes very hostile world that they simply wanted to develop their economies, and insure that future generations would have new sources of revenues when their oil deposits run out.

"We went all over the world telling bankers, government officials, the press and whomever would listen, that we wanted to buy Western technology and we wanted a closer relationship with the West, and the rest of the world," says Burhan Dajani, President of the Union of Arab Chambers of Commerce and Industry. "We were just trying to catch up with the twentieth century and develop our countries into modern industrialized states."

Finally, five years later, the message appears to be understood. Although hostile rumblings still echo in the Western media from time to time, the world by and large, and particularly

Western financial institutions, have come to see the Arab oil producers as an essential ingredient of world economic stability. And, the world monetary system proved to be far more resilient than anticipated.

By 1977, OPEC members had smoothly handled some \$160 billion, with the assistance of international banks—many of them American—and international finance institutions like the International Monetary Fund, and Central Banks of the world. Surprisingly, a great deal of the money was returned to the United States and Western Europe in the form of investments, bank deposits, loans, and in payment for goods purchased. Although the total accumulation of money in OPEC was not exclusively Arab money, virtually all of the surplus money that was deposited in banks or re-lent to other countries was the Arabs'.

In effect, the Arab oil revenue bonanza proved a bonanza to the West as well. In the United States, Arab countries were returning one out of every two dollars they earned from oil. The rest of their revenues went to Western Europe and Japan. Many Western industrial firms were kept busy

throughout the recession of 1975 and 1976 with huge orders from the Middle East.

Arab countries, anxious to move ahead in the race against time, were buying all the technology they could absorb, as fast as it could be delivered. Schools were rising at the rate of one a week in Saudi Arabia. Petrochemical plants, steel factories, hotels, railroads, highways, universities, hospitals, new cities, and a host of mammoth new construction projects were being contracted for by the Arab oil producers in an attempt to make that one big leap into the twenty-first century. And virtually all of it was being contracted for with Western industries. Between 1973 and now, it is estimated that some \$50 billion worth of new projects have been launched in the Arab world, the largest single construction effort since the Marshall Plan.

### Pattern of Investments

The pattern established so far strongly suggests the Arabs mean what they say: they intend to use newly acquired wealth to build up their own industries, not to buy up someone else's.

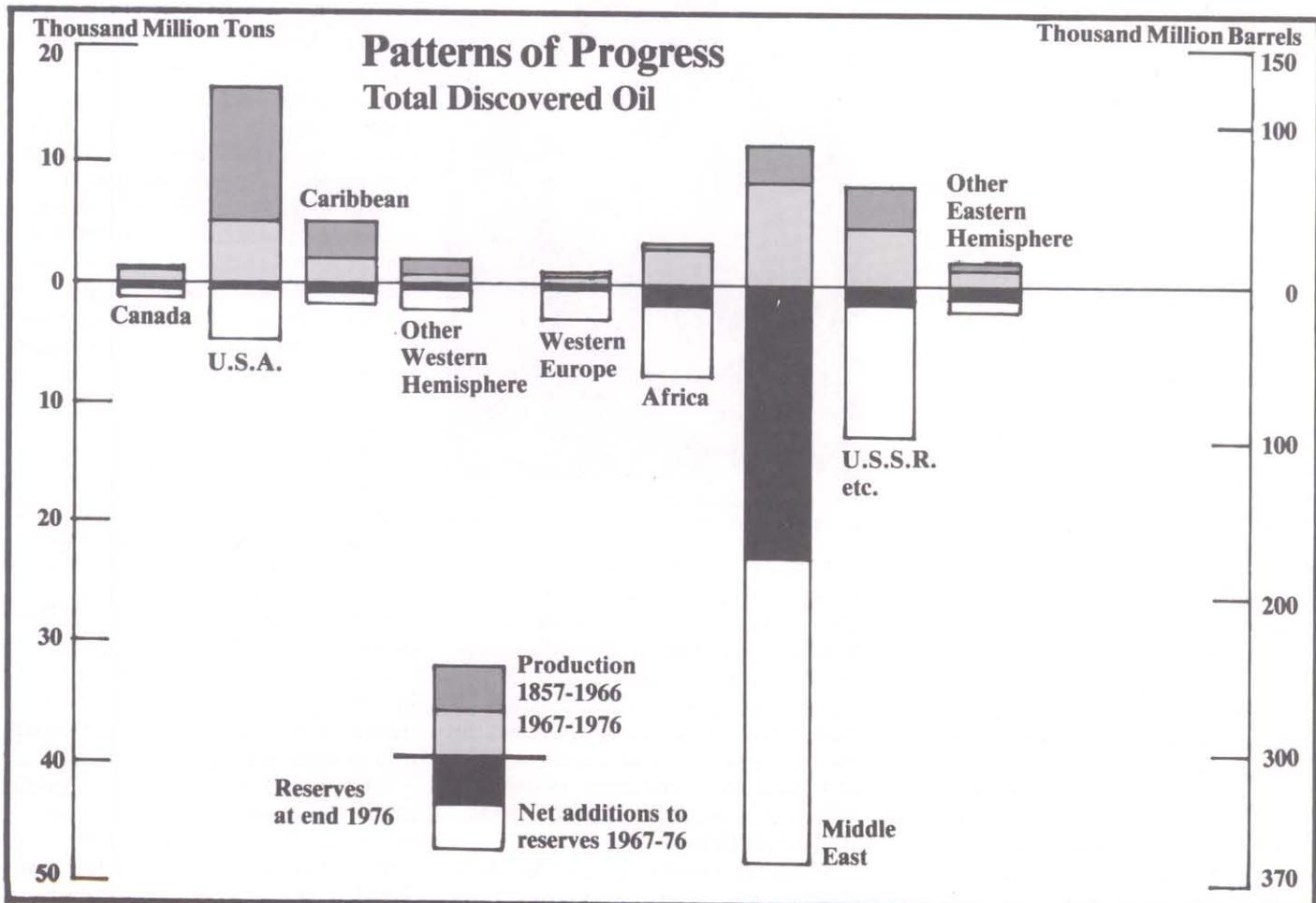
Although there have been individual

instances of Arab investors buying shares in American banks and in some minor companies, the total so-called "direct" Arab investment in the United States since 1973 to date has not exceeded \$250 million, according to the United States Department of Commerce yearly compilation of direct investments in the country by foreigners. By contrast, direct investments here from Canada, Western Europe, Britain and Japan add up to \$30 billion so far—a sum against which Arab direct investments pale.

There are, however, substantial amounts of indirect Arab investments—or so-called portfolio investments—in American money markets.

The Treasury Department estimates a total of \$30 billion of Arab funds are invested in the United States. Virtually all of it is placed in United States Treasury bonds and notes, which offer owners a steady, known return and a prudent distance from any control of American business and industry.

Economic observers familiar with Arab thinking, and bankers who handle the Arab funds in the United States, indicate there are many reasons for this "very conservative" approach



to investments by the Arabs in this country. The analysts agree that the three Arab countries holding virtually all of the \$30 billion—Saudi Arabia, Kuwait and the United Arab Emirates—will eventually recall these funds in order to build their industries and their economies. They are, therefore, in the manner of a wise investor, choosing the safest investments to keep them in, while acting, these Wall Street observers note, like big American institutional investors or pension funds.

Another reason is that the huge accumulation of wealth has left the Arab nations unable to manage and spend the new volume of surplus money, because their economies still lack needed financial and physical infrastructure. It takes time, they have found, to build the roads and the ports that are necessary before the plants and the factories can appear. It takes time to train more bankers and investment experts to manage funds. In the meanwhile, they have entrusted their money to the country they feel closest to—the United States. In effect, the large deposits of Arab money—the \$30 billion in the United States, and about \$60 billion in Western Europe—are a measure of the trust the Arabs are willing to place in the West, and an indication of how the Arab world and the Western nations are becoming increasingly dependent on one another.

Some observers have suggested that the Arabs had no other choice. But, the Arabs say, they have another route to follow, if the chips are down. As Sheikh Zaki Yamani, Saudi Arabia's oil minister reminds the West periodically: "We can very well keep our oil in the ground, where it will appreciate greatly, instead of accumulating dollars in your banks and watching their value dwindle because of inflation and the slide of the dollar against other currencies."

In fact, in a recent *New York Times* interview, Ali Mohamad Jaidah, secretary general of OPEC, estimated that the Arabs have lost \$12 billion dollars on their oil revenues since January 1977 because of the dwindling value of the dollar. Yet Saudi Arabia has steadfastly stood by the dollar, resisting pressures from other OPEC members to raise the price of oil or abandon the American dollar as the unit used to price and pay for oil. Should such a move be adopted, it would cause American consumers to pay more for their oil imports and would bring immense pressure against the dollar itself,

as speculators would rush to dump it in favor of another stronger currency.

The Saudi position is not entirely based on devotion to the United States, of course. There is a great deal of self-interest involved in it as well. The Saudis, and the conservative countries allied with them such as Kuwait, the United Arab Emirates, and non-Arab Iran, see the United States as the best source of technology for their mammoth development program. They need American goods, and American expertise, to fulfill those ambitious development plans they have set in motion. Many of them believe they need American political support as they see themselves partners in the Western ideological alliance. Even Arab countries that heretofore have not been close allies of the United States like Algeria, Iraq and Libya, have not shied away from coming to the United States for the expertise it commands in electronics, petrochemicals and telecommunications. Some of these countries also seek American technology partly because of their disappointments in the past with Soviet and Eastern European aid and technology acquired in the sixties when the Arab world was hovering close to the sphere of Communist influence. As one spokesman recently pointed out, "America has the best in know-how and why get anything less, if you can get the best."

On the other hand, the United States can use all the business the Arabs generate. With the American balance of trade in deficit to the tune of \$28 billion in 1977, and the United States importing nearly \$45 billion worth of oil a year, much of it from the Middle East, the American economy clearly needs all the business it can get.

According to the American-Arab Association of Commerce and Industry, last year the United States exported \$8 billion in services and goods to the Arab world and in return imported nearly \$16 billion in oil. And, Arab imports from the United States, as well as American imports of oil, have mounted steadily over the last few years.

### **Difficult Alliance**

Yet, the marriage of Arab needs and American wants are riddled with obstacles and obstructions, the foremost obstacle to cooperation being the Middle East crisis, which precipitated the imposition of the Arab oil embargo and the sudden rise in oil prices during 1973 and 1974.

Although the prices of crude oil were

slated to rise from the meager \$2 a barrel the producers received in 1973, the steep move upward was prompted by the hostile atmosphere created in the aftermath of the 1973 Mideast War and by what the Arabs perceived as a total alliance of the United States with Israel during that war.

The situation was further complicated by the bad publicity the Arabs had received for years in the United States, particularly noticeable in 1973 as Americans waited in the long lines at gasoline stations.

The Arabs felt they had to impose an oil embargo on the United States, in self-defense, and in reaction to the massive military assistance to Israel. Their arguments fell on deaf ears here.

Then, there was the Arab policy of boycotting Israel commercially. In the Arab world, it was felt, a trade embargo must be imposed on Israel while a state of war existed between the Israelis and the Arabs. The Arabs, pointed out that this was standard practice, that the United States had in fact used long-term embargoes against Cuba and several Communist nations. In the United States, however, many Congressional supporters of Israel sought to limit trade with the Arab world, using the Arab boycott of Israel as their vehicle. Legislation was introduced, and passed, forbidding American companies from participating in the Arab boycott of Israel directly or indirectly, in effect making it a great deal harder for American companies to do business with the Arabs—unless, of course, they renounced their boycott of Israel.

The Arabs responded that there was no way they could end the boycott, while Israel was at war with them, and while Israeli troops occupied the territories of Egypt, Jordan and Syria, and some 3 million Palestinians remained without a homeland.

### **Cooperation at Crossroads**

So it is that the future of economic cooperation between the United States and the Arab world stands at a crossroads. What lies ahead is impossible to foresee, but what is certain is that the Arab world is undergoing a development experience virtually unprecedented in history. Never before has a number of developing nations commanded so much financial wherewithal to bring about almost instant development by being able to draw upon industrialized nations' abundance of advanced technology.

# American Business in the Mideast

Since the quintupling of oil prices, the American business presence in the Mideast has grown by leaps and bounds.

American banks, construction companies, architectural firms, experts, products and goods, are flocking to the region in record proportion, attracted by an unprecedented effort to develop the Arab world.

Saudi Arabia alone launched a mammoth \$142 billion development program in 1975 that will be completed in 1980. While the Saudi program is the largest in dollar volume, the other Arab countries, notably Iraq, Algeria, the United Arab Emirates, Qatar, Bahrain, and Libya all have multi-billion development blueprints in the works. Even the non-oil producing countries in the Arab world, like Morocco, Tunisia, Egypt, Jordan and Syria, are engaged, with the aid of their rich neighbors, in large projects with hundreds of millions of dollars at stake. In June Egypt put the final touches on a \$20 billion five-year plan, and launched a long-term \$20 billion program to replace its aging telecommunications network, probably the most expensive such project ever.

The Arabs are in the market for everything. They need ports, cranes, highways, petrochemical plants, steel factories, and car assembly lines; they need the engineers, and architects and money managers who can help put them all together.

Already some 2 million expatriates are manning positions in Saudi Arabia, which has a native population of about 5 million people. They come from other Arab countries, from Asian countries, Europe and the United States. Yet they are not enough. The United States Army Corps of Engineers, for instance, is supervising \$25 billion construction projects in the Saudi Kingdom.

But the biggest winners are the construction companies because of the building effort underway in the Arab world. The competition is fierce. American business representatives are engaged in a game where the stakes are high and the advantage not always on their side. The Japanese companies, enjoying generous assistance from their government, are not easy to beat. So it is with the French, the British, the

Italians and of late the South Koreans.

All the competitors, unlike the Americans, do not have to worry about anti-boycott legislation recently passed by the American Congress. Europeans and the Japanese also receive financial assistance from their governments in the form of credits and posting of bonds for new construction jobs, alleviating a major part of the financial burden borne during contract bidding. The Saudis, for example, ask that contractors post a bond of 10 percent on each job they are bidding for. When the stakes are in the billion dollar bracket, as they usually are, that can mean a lot of money placed in escrow. European governments relieve their companies of that burden by giving them credits and tax breaks to ease the pressure.

Thus far, American business has fared well in the Middle East. The following is a spot check of who is doing what in the region. It is by no means a comprehensive cataloguing of the American business presence there, but rather is meant as a descriptive exercise.

## U.S. Banks

Virtually all American major banks have expanded their Mideast divisions

dramatically since 1973. The big four American banks in the Mideast are also the largest four American banks: Citibank, Chase, Morgan Guaranty Trust Company, all of New York, and the Bank of America, headquartered in San Francisco and considered the world's largest banking group.

With its enormous geographical spread in the region, Citibank is easily the most notable American bank in the Mideast. The bank has commercial branches in almost every Arab country and representative offices covering those that have no branches. It is involved in financing a host of projects in the region, lending money to the companies involved in the projects and to the countries where they are being carried out. In 1977, Citibank's loans portfolio in the Mideast was about \$12 billion, running the gamut from liquefied natural gas projects in Algeria to hotel construction in the Gulf.

Chase was a close second. It also has commercial branches in many Arab countries and joint venture banking arrangements with many of the local banks in several other Arab countries.

Other banks involved with the Mideast include Morgan and Bank of America, which look after large Arab deposits and act as advisors to Arab governments, rather than commercial agents as the former two.

Chemical Bank and Manufacturers Hanover Trust Company have each quadrupled their manpower in the region since 1974.

Car assembly lines, like this one, are mushrooming in many Arab countries as the Arabs try to acquire the technology of various industries.





Construction is everywhere in the Middle East. Houses, schools, factories and ports are rising every day in every Arab country.

Other notable banks include: First National Bank of Chicago, whose chairman Robert Aboud is of Lebanese origin and has been uniquely aggressive in expanding the bank's business in the Middle East; the Continental Illinois Bank; Wells Fargo Bank of California; the Texas Commerce Bank; and the newly founded UBAF Arab American Bank of New York.

American investment concerns, such as Morgan Stanley, Merrill Lynch and Leehman Brothers, are among the big names on Wall Street actively engaged in managing funds for Arab countries and for the private sector investors of the Arab world.

### **Arab Banks**

The development explosion in the Arab world has also produced a new crop of Arab financial institutions worldwide. Banks with Arab affiliations can be found in Paris, London, Rio de Janeiro, the Caymen Islands, Brussels, Tokyo and, of course, New York.

In 1976 the UBAF Arab-American Bank opened its doors for business in New York, the first American bank with substantial Arab representation to do

so. The bank counts among its shareholders virtually all the major Arab banks, and the rapidly growing UBAF Bank of Paris which is itself an Arab-European Bank. Its ambition is to serve as a catalyst for Arab investors who wish to come to the United States, while commercially assisting American customers doing business in the Mideast.

"We think our Arab contacts are of the magnitude needed to carry out large-scale projects in the Arab world, and we are here because the United States is still the largest investment market in the world," said Fakruddin Khalil, first executive vice president of the bank, in a recent interview.

Another kind of Arab financial presence has also emerged in the United States. Although nearly all of the Arab investments in the United States are the property of Arab governments, some private Arab investors are beginning to make some purchases in the stock market or buy equities in hotels, lands, and small industrial American companies.

Early this year, the first Arab investment company, Petra Capital Corporation, was formed in the United States. Run by three former investment

specialists from a prestigious Wall Street investment house, the firm is controlled by three Arab investors from Saudi Arabia, Kuwait and the United Arab Emirates.

"The objective of this group," said Gerald Parsky, former assistant secretary of the Treasury who is handling the firm's legal affairs here, "is to establish a United States base for international banking activities with sound advice." The advice will come from Chairman Peter Tanous, a former investment banker with Smith Barney, Harris Upham & Co., the well-known firm on Wall Street. Mr. Tanous and two other colleagues left the firm to join Petra, where they are minority shareholders. The majority shareholders are: Sheikh Ali Al Salem Al Sabah, son of the late ruler of Kuwait; Sheikh Abdelaziz al-Suleiman, a wealthy Saudi businessman; and Abdelaziz Galadari, another businessman from Dubai, the United Arab Emirates.

There has also been a number of other investment vehicles set up by private Arab entrepreneurs, such as Gaith R. Pharaon, the Saudi business-

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# Americans for Middle East Understanding, Inc.

Room 771, 475 Riverside Drive, New York, N.Y. 10027 Telephone 212-870-2053

August 28, 1978

Dear Friends of AMEU,

On August 15, Dr. John F. Mahoney became Executive Director of Americans for Middle East Understanding. Exceptionally well-qualified to assume this leadership role, John brings a wealth of firsthand experience in the Middle East, coming to AMEU directly from Saudi Arabia, where he was involved in Management Training for ARAMCO. John is an educator, a skillful administrator, a talented writer, as well as an interesting speaker.

This change in leadership signals no alteration in AMEU's policies or programs. The Link will continue to be published at least five times a year and distributed to approximately 50,000 people. The Public Affairs Pamphlet Series will still be distributed free of charge, and our library program will be ongoing. Various consulting services AMEU provides to religious, educational, touring and public affairs groups and to sister organizations will likewise be maintained.

AMEU potentially offers many more opportunities to build in America a deeper understanding of the Middle East. It is not enough to keep repeating what has been done; rapidly changing circumstances require new responses. John and I have discussed several innovative programs to meet these needs, and John talks of these in his own letter to you in this issue.

Because so many of AMEU's services are offered free of charge, it may appear that money is no problem. Nothing could be further from the truth. Your financial support is essential, if present services are to be maintained and new programs added. Won't you help AMEU now? Chances of spreading deeper understanding about the Middle East have never been so promising. Your gift to AMEU will continue to make all this possible.

Sincerely,

John M. Sutton

**I have chosen to come to you with an open heart and an open mind... I have chosen to present to you in your own home, the realities, devoid of any scheme or whim. Not to maneuver, or to win a round, but for us to win together, the most dangerous of rounds embattled in modern history, the battle of permanent peace based on justice.**

**Anwar El-Sadat—Address to Israeli Knesset, November 20, 1977**

**Dear Friends of AMEU,**

For ten years, AMEU, with your help, has labored to win together this most dangerous of rounds in modern history. Under the courageous leadership of John Sutton, his distinguished board of directors and his loyal staff, the organization, through its publications and service programs, has brought to public attention the long-neglected and often rudely distorted realities of the Middle East.

Our newsletter, *The Link*, goes out to every member of Congress, to religious, educational and business leaders throughout the world, and to an ever-widening circle of concerned individuals.

Our *Public Affairs Series* reaches the same audience, with

a steadily growing demand. And think what we could do, if we had more financial support! For example, our pamphlet on the Arab Boycott is still being requested by international trade clubs and business associations, long after the supply ran out.

Then there are the schools. Where else is there a greater need for accurate information? Through AMEU's *Book Distribution Program*, we have mailed out tens of thousands of books and special packets to schools and public libraries throughout the country.

Yet, as the Camp David summit meeting has reminded us, peace in the Middle East will come only with justice, and *justice delayed is justice denied.*

That awesome power of the media needs to be focused now more than ever on what is really happening in the Middle East.

And we can do more. We want to create a more active *Speakers Bureau*, not only for public lectures, but for radio and television appearances. Often enough the new battleground is not in the Gaza Strip, nor in Washington, but on local talk programs throughout the country. We want to prepare more up-to-date information for *tourists* to the Middle East, and for the increasing number of Americans going there to work. We want to respond to the need for an increased Christian-Muslim dialogue. Above all, we want our publications to reach a greater number of readers.

Your support is needed. The threat of a Middle East holocaust is too real to surrender our foreign policy to vested interests and to a misinformed public. If circumstances permit, would you consider giving to one of our projects listed below.

Thank you for your concern and your support.

**John F. Mahoney**  
*Executive Director*

Yes, I want to help. Enclosed is my contribution to support the following project(s):

**\$6,325.00** Cost of publishing a complete issue of *The Link*.

**\$963.00** Cost of printing an individual pamphlet in our Public Affairs Series.

**\$120.00** Cost of reproducing one news article of urgent interest for distribution in our office mail.

**\$42.00** Cost of buying and mailing a collection of current books to the library of donor's choice.

**\$15.00** Will send 100 extra copies of *The Link* to teachers who request them for classroom use.

**Other** Every contribution is deeply appreciated and will be acknowledged personally.

**Please make checks payable to AMEU, and mail to AMEU, 475 Riverside Drive, Room 771, New York, New York 10027.**

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**Other**

man whose name has been frequently in the press. Through his Arabian Services Corporation, headquartered in Houston, Mr. Pharaon has built since 1975 a small American conglomerate of companies and banks. Among his acquisitions are lands in Louisiana, a stake in the Sam P. Wallace Company, a Dallas-based mechanical contracting concern, the Main Bank of Houston, and a controlling share in the National Bank of Georgia, bought partly from Bert Lance, former director of the Office of Management and Budget.

Mr. Pharaon intends to use his American connection to bring American business and banking expertise into his home base, Saudi Arabia, where he has a sprawling network of construction and trading companies.

### The Mega Projects

Mr. Pharaon's small U.S. acquisitions seem modest in relation to some of the contracts American companies have in Saudi Arabia, the Gulf region of the

Arab world, or in North Africa.

GTE Sylvania, for instance, won a \$400 million contract in Algeria in 1975 to build that country's first electronics factory. Work is underway, involving the training of 5,000 Algerians, from plant manager to laborers.

Another large American company, Bechtel, is working on Algeria's Liquefied Natural Gas facility at Arzew, a multi-billion project aimed at exporting Algerian gas to Europe and the United States. Still another American concern, Fluor, is also working on gas projects in Algeria.

In Egypt, AT&T, the world's largest company and America's telephone monopoly, in association with two smaller U.S. telecommunication concerns, are bidding for a \$20 billion project to upgrade and virtually replace Egypt's aging telephone network.

It is in Saudi Arabia, however, that the largest, most ambitious development plans are being carried out, mostly by American companies.

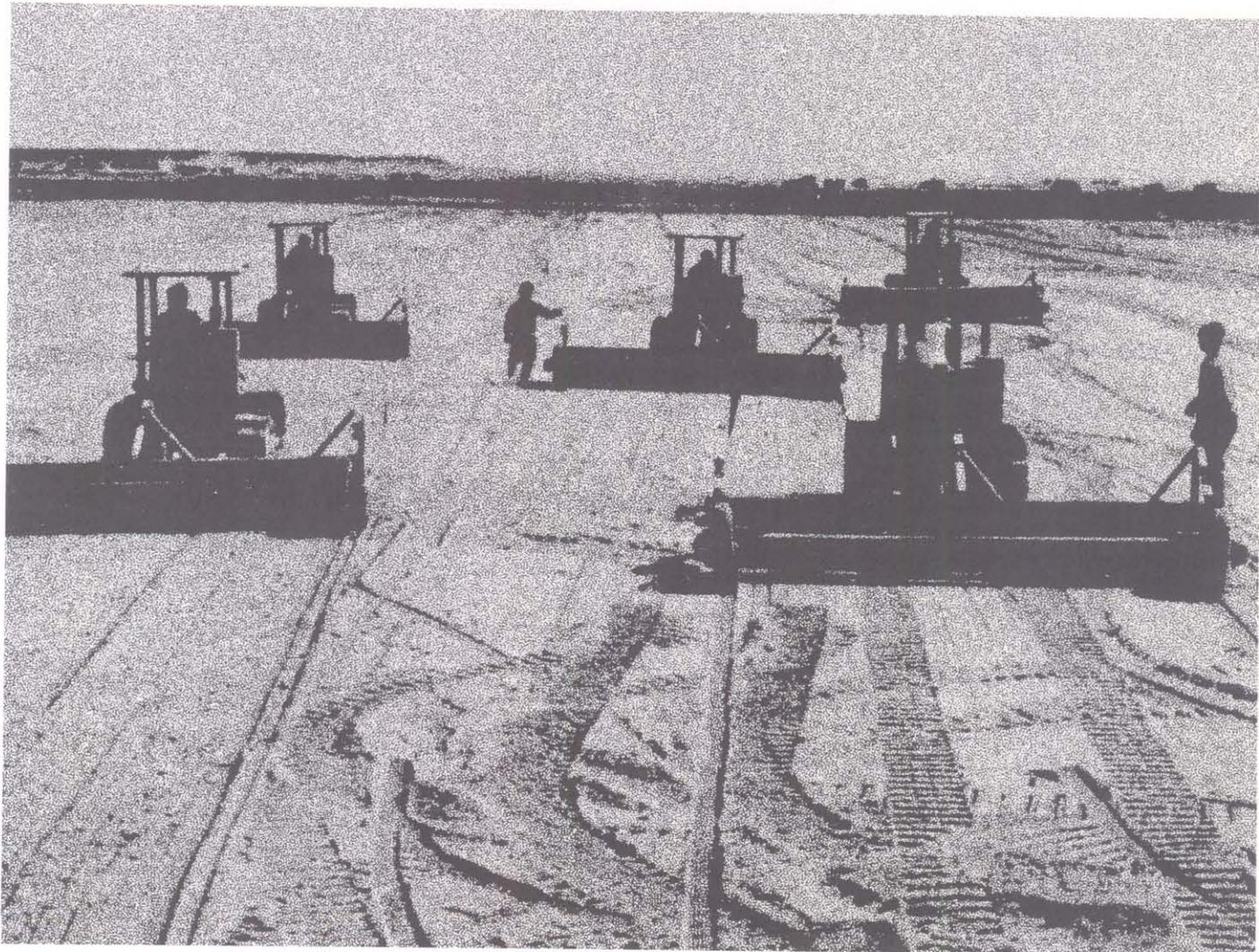
The San Francisco-based Bechtel corporation is supervising the construction of a \$45 billion industrial complex at Jubail in the Eastern Province of the Saudi Kingdom. There, a new city of 300,000 will rise by 1985 around a huge industrial complex of petrochemical plants, steel plants and an aluminum smelter.

The Arabian American Oil Company (Aramco) is completing a multi-billion dollar gas-gathering project, aimed at collecting all the gas previously flared by the Saudis. It will be used to feed the industrial complex at Jubail, which began in 1973 as a small fishing village of 4,000 people.

On the Red Sea coast of Saudi Arabia, at Yanbu, an equivalent project is in motion, supervised by the American Ralph M. Parsons contracting firm. This is also a multi-billion dollar project involving another industrial complex and a city.

At Jiddah, on the Red Sea, Ralph M. Parsons is also overseeing construc-

The Arab deserts are being reclaimed with the use of desalinated water from the sea and modern Western technology.



tion of the world's largest airport, a complex twice the size of Manhattan Island, with one terminal that has more space than the twin World Trade Center towers combined. The airport will service the million or so pilgrims who each year flock to Mecca, passing through Jiddah. By 1985, it is estimated, their numbers will rise to 3 million a year, and an airport of this size will be needed to aid their pilgrimage. Saudi Arabia, as guardian of Islam's holiest places, has taken this obligation upon itself.

In Iraq the Ministry of Industry and Minerals, in 1975, awarded the C-E Lummus Company of Bloomfield, New Jersey, a subsidiary of Combustion Engineering, a contract to build a \$1 billion petrochemical complex near Basrah. Work on this project is well underway. That same year, Iraq Airlines gave the Boeing Corporation of Seattle, Washington, a contract to train its staff in handling the large jets the Iraqis had acquired. The \$120 million two-year contract was recently completed.

The list goes on. Everywhere you look in the Middle East, American companies are busy building, designing, and overseeing construction of major projects.

But the Americans are not alone. The Japanese, the French, the British and lately the South Koreans have acquired a major share of this mushrooming pie, and they are presenting American companies with tougher competition, more so in fact because they are the recipients of major assistance from their governments.

American companies say they can handle the competition, but only ask, in the words of one chief executive, "that our government does not work against us." They say that the new anti-boycott legislation enacted in Congress during 1977 and applied in 1978 is making it hard for them to compete with other companies from Europe and Asia which do not have to labor under such "handicaps." American bankers are finding it harder to issue letters of credit, the bloodline of commercial business, to Middle Eastern customers under the anti-boycott provisions.

It is still too early to determine the direction American business will take in the Mideast. But the fears of American companies are legitimate. Although the Arabs want American technology, they are not likely to give in to American law if it goes against their grain. And the anti-boycott law does just that.

# Arab Aid to Poor Tops Western Nations'

Since 1973, very little notice has been given to the amount of money the Arab oil producers have channelled to developing countries around the world. In fact, Arab oil producers appear to be in the foreign aid business to stay; their record is far better than that of the Western industrialized countries.

According to a recently published study by Chase World Information Corporation, a subsidiary of the Chase Manhattan Bank of New York, the Arab oil producers have disbursed since 1973 about \$19 billion in soft loans or outright grants to poorer Arab, Asian and African countries, and even countries in far away Latin America.

More importantly, the Arabs have institutionalized the business of foreign aid in seven permanent aid funds, with a collective lending power of nearly \$25 billion, while more Arab aid will likely be given to other parties in direct bilateral agreements.

The most striking aspect of Arab financial assistance, according to John Law, a vice president of Chase who authored the exhaustive study, is the percentage it represents of the gross national product of the donor countries. In 1970, the United Nations set a goal of 1 percent of gross national product to be given in aid to poor countries by the world's industrialized countries. Only Sweden and the Netherlands have reached that goal. United States aid amounts to one quarter of one percent of its GNP.

By contrast, both Saudi Arabia and Kuwait have been disbursing 5 percent of their GNP in aid to others, while the United Arab Emirates have been spending 10 percent.

Unlike Western aid, which always returns home in the form of goods purchased from the donor country, Arab aid does not go back to the Arabs. As one Arab official recently explained, "We cannot retrieve our aid because we do not produce the equipment or the technology that the recipient countries need to develop. In fact, whenever we lend money for industrial projects in the third world, we are creating a new market for Western technology and goods."

In 1973, much of the Arab aid went to other Arab countries. But from late 1974 onward, that direction changed. African and Asian countries became major recipients of Arab aid as well. By 1976, the Chase report said, only one quarter of the recipients of Arab aid were Arabs. Africa loomed as the growth area for Arab aid.

Arab countries, in 1975, created the Arab Bank for Economic Development in Africa, with a working capital of \$1 billion, of which \$200 million has been disbursed in soft loans with low-interest rates and long periods for repayment—resembling policies of the United States Agency for International Development. And, in 1977 at the Cairo summit meeting of the Organization of African Unity, Arab countries pledged another \$1.5 billion in aid to Africa.

Asian countries received substantial assistance from the Arab economic aid funds as did a number of Latin American countries.

The Arabs have also supplied the lion's share of the special aid fund, created in 1976 by the Organization of Petroleum Exporting Countries (OPEC). Namely \$1 billion has been disbursed to date, according to Ali Mohamad Jaidah, the organization's secretary general.

## The Arab Funds

The largest, oldest, and the best established of the Arab aid funds is the Kuwait Fund for Arab Economic Development. Set up in 1961, the fund had disbursed nearly \$200 million in its first decade. By 1978 its loans had soared to \$1.6 billion and it had developed expertise in evaluating development projects and guiding recipients of the aid to the most profitable ways of using the money. The fund works closely with the World Bank and has become a model for other aid funds.

Other Arab aid funds include: the Islamic Development Bank, created in 1975 to assist Muslim countries with its capital of \$2.4 billion; the Abu Dhabi Fund for Arab Economic Development; the Arab Fund for Social and Economic Development; and lately the Arab Monetary Fund, set up in 1976.

## Arab Monetary Fund

Besides assisting poorer Arab countries, particularly those experiencing deficits in their balance of payments, the Arab Monetary Fund acts as the Arab equivalent of the International Monetary Fund. Its function is not only to give aid, but also to catalyze a form of Arab economic unity and foster joint Arab economic projects.

Capitalized at nearly \$1 billion, the fund is made up of the twenty-one member countries of the League of Arab States. The fund is restricted in its aid to those members of the League that have contributed to its capital.

In a recent interview, AMF President Jawad Hashim, former Iraqi Minister of Planning, said the fund will be used to extend the credit worthiness of Arab countries in financial difficulty. It will, for instance, guarantee loans to Arab countries from international banks or institutions. And, he said, it will participate in raising loans to finance development projects in the Arab world. "Our goal," he said, "is Arab economic integration."

Toward this end, the fund will also create a unified Arab currency, the Arab dinar.

## GODE

Possibly one of the most important Arab aid vehicles to other Arab countries—or in fact to a single Arab country, Egypt—is GODE. The acronym stands for the Gulf Organization for the Development of Egypt. Established in 1975 to bail Egypt out of a deep financial squeeze, GODE is capitalized at \$2 billion, which can be replenished when the money runs out. The fund has allowed the Egyptians to repay their interests on some \$12 billion of debts accumulated during the years since the 1967 war with Israel.

The fund was set up by Saudi Arabia, Kuwait, the United Arab Emirates and Qatar. It is a measure of political support from Arab conservatives for the regime of Egyptian President Anwar el-Sadat, who is viewed as a moderate, pro-Western leader by these equally moderate Arab regimes.

More importantly, GODE demonstrates the kind of clout that Arab "moderates" have gathered. With their oil income, they can choose to support political directions in the Middle East that they favor. Thus, Egypt has, for a number of years now, closely coordinated its policies in the area with Saudi Arabia and its other allies. And, the

Saudis have, so far at least, counselled moderation.

There is no guarantee that this trend will continue. Already, for example, Kuwait, another major donor of aid to Egypt, is demanding that Egyptian President Sadat end his peace initiative and direct talks with Israel to "rejoin" the Arab fold and close ranks with all Arab countries, including those who

reject peace talks with Israel.

Should the other allies of Egypt begin to tilt in this direction, the prospects of a negotiated settlement in the region can be significantly altered.

The marriage of Arab money and Arab military power is made, and the aid funds, like all aid funds, have cemented it. ■

## Arab-American Chambers of Commerce

The increasing volume of Arab trade with the United States over the last few years has brought with it a significant expansion of service organizations acting as contact points between business groups on both sides of the Atlantic.

Although Arab-American chambers of commerce have been around for years, the breadth of their activities and their numbers have shown an intense growth since 1973.

The following is a partial list of some of these organizations. While they do not speak for Arab governments or businesses, they can be of great help in advising American business on the best way to go about making the first contacts in the Arab world, and will give names and addresses of Arab decision-makers with whom contacts are needed to complete a business transaction.

**U.S.-Arab Chamber of Commerce**, One World Trade Center, Suite 4657, NY, NY, USA, 10048. Phone: 212-432-0655. Cable USARABCOMM. Branch office: 1819 H St. NW, Washington, D.C. 20006.

**American-Arab Chamber of Commerce**, World Trade Building, Suite 319, Houston, TX, USA, 77002. Phone: 713-222-6162.

**U.S.-Arab Chamber of Commerce (Pacific)**, 230 California St., Suite 201, San Francisco, CA, USA, 94111. Phone: 213-622-7379.

**Mid-America Arab Chamber of Commerce**, 135 LaSalle St., Suite 2050, Chicago, IL, USA, 60603. Phone: 312-782-4654.

**American-Arab Association for Commerce & Industry Inc.**, 342 Madison Avenue, Suite 1060, NY, NY, 10017. Phone: 212-986-7229.

**Saudi Arabia**—Chamber of Commerce and Industry, Eastern Province (Dammam), Jeddah Chamber of Commerce and Industry, Riyadh Chamber of Commerce and Industry, Mecca Chamber of Commerce.

**Somalia**—Somali Chamber of Commerce.

**Sudan**—Chamber of Commerce and Industry (Khartoum).

**Tunisia**—Tunis Chamber of Commerce.

**United Arab Emirates**—Abu Dhabi Chamber of Commerce and Industry,

Dubai Chamber of Commerce and Industry, Sharjah Chamber of Commerce.

**Yemen Arab Republic**—Sanaa Chamber of Commerce.

**Algeria**—Chambre de Commerce et d'Industrie (Algiers).

**Bahrain**—Bahrain Chamber of Commerce and Industry.

**Egypt**—Cairo Chamber of Commerce.

**Iraq**—Baghdad Chamber of Commerce, Federation of Iraqi Chambers of Commerce.

**Jordan**—Amman Chamber of Commerce, Amman Chamber of Industry, Federation of Jordan Chambers of Commerce.

**Kuwait**—Kuwait Chamber of Commerce and Industry.

**Lebanon**—Beirut Chamber of Commerce and Industry.

**Libya**—Chamber of Commerce and Industry of Tripolitania.

**Mauritania**—Chambre de Commerce et d'Industrie et d'Agriculture (Nouakchott).

**Morocco**—Chambre de Commerce et d'Industrie de Casablanca.

**Oman**—Chambre de Commerce (Muscat).

**PDR Yemen**—Aden Chamber of Commerce.

**Qatar**—Chamber of Commerce (Doha).

# Books

## **Farewell, Israel**

By Ephraim Sevela. Gateway Editions. 1977. 295 pp. \$12.95.

Reprinted from *Middle East International*, January 1978

Ephraim Sevela was one of the original twenty-four Soviet Jews to participate in the first political strike in Soviet history—at the Supreme Soviet reception hall in February 1971. As a result of this strike, called to protest Soviet Jewish emigration policies, the floodgates were opened for Jewish emigration to Israel. For Sevela, Israel was to have been the fulfillment of his dreams.

The author was a famous Soviet filmmaker and screenwriter before emigrating to Israel. Since emigrating, he has written two books which have been published in English: *Legends From Invalid Street* and *Truth Is For Strangers*, both of which have been highly acclaimed.

His final decision to emigrate, he writes, came because of “the desire to have done with hypocrisy and to begin a fresh, morally purer life. To do this we needed to make a conclusive break with Soviet power and with the Russian nation, which was being crushed beneath the ruthless heel of this regime.”

Yet, Israel, which promised freedom and the opportunity to fulfill the dreams of those Jewish dissidents who sought to emigrate, was a dramatic disappointment.

One of the first things which struck Sevela and other Russian Jewish emigrants, he writes, is the sharp racial division in Israeli society: “... the highest and most impassable racial watershed, which divides Israeli society into two fiercely warring camps, is the color of one’s skin: on the one hand, the Jews from Europe and America; on the other, the Jews from Asia and Africa ... the white Jews and the black Jews. Even the single Judaic religion could not build a bridge from one camp to the other.”

Of particular concern to many Russian immigrants is what the author calls Israel’s “racism.” Many of the Rus-

sians have non-Jewish wives. According to Orthodox Jewish law—which is the law of the state—the child of a non-Jewish mother is not a Jew, and therefore has no rights in the state. He writes that “The celebrated discussion about who is a Jew has already rocked the country for many years, perplexing sensible people. It is like a dormant illness that each time erupts with fresh virulence ...” Sevela’s wife herself is the daughter of a non-Jewish mother, adding particular poignancy to his discussion of this subject.

Mr. Sevela also believes that Zionism is in the end completing the work of Nazism in destroying the world’s Jewish communities. Of the status of Russian Jews, he writes: “The once glorious Russian Jewish community, which gave so many great men to the world, is in its final death agony. Having withstood the Czarist pogroms, miraculously survived Hitler’s crematoria, and stubbornly resisted destruction for many centuries, it has begun to disintegrate and rapidly dissolve .... And this occurred from the very moment when the State of Israel was created in Palestine. Contrary to the wishes of its creators, Israel has become not a regenerating ferment for the Jewish nation but a catalyst hastening the process of its disintegration.”

Similarly, he argues that “The era of peace for Jews in Moslem countries was over. A wall of hatred sprang up around dozens of Jewish communities from Casablanca to Baghdad. There were the first outbreaks of pogroms and the spilling of innocent blood, and the Jews, to save their children, abandoned their property and forsook the places that for centuries had been their homes.... The highest price Jews paid for the creation of their own state in Palestine was the almost complete liquidation in the space of a few years of all the Sephardic communities in places where they had existed for more than a thousand years.

This is an angry book and, in some respects, highly intemperate. Much of what is criticized about life in Israel could be criticized about life in most

other countries. Just as Israel is hardly what its proponents argue it is, it is not exactly the hell which Mr. Sevela describes either. But the author recognizes that he may be overstating his highly personal and emotional case. At one point, he writes: “The following objection might be raised. You invented a country that didn’t exist and are shaken when it doesn’t correspond to your fantasy. It is you who are to blame and not Israel. In part, I agree. The sad thing is, however, that Israel turned out to be not only not as good as our dreams but scandalously below acceptable standards...”

Whether this book makes the reader angry—or confirms his own worst suspicions—it is worthy of careful consideration. Ephraim Sevela is a sensitive observer and a passionate man. He did not leave the Soviet Union and its repression only to be silenced in the West. And, as this book shows, he has not been.

Reviewed by Allan C. Brownfeld

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**Pamphlets** Orders for pamphlet collections are still welcome. Due to the rise in postal rates, however, weight is now limited to what can go as third class mail, i.e., less than one pound.

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# Books To Order

R. Afifi, A. Al-Qazzaz & A. Shabbas, **The Arab World: A Handbook for Teachers**, Najda, Albany, Calif. 128 pp. \$5.00 (paperback). A book of interest not only to teachers but to all having an interest in the Arab world. The authors offer it as an antidote to the prevalence of distortions, stereotyping, etc., found in most school texts covering the Arabs, their culture, history and society. Our price, \$3.25.

John H. Davis, **The Evasive Peace**, revised 1976, Dillon/Liederbach Inc. 136 pp. \$5.95. Factual background to present Arab-Israeli dilemma, with a prescription for peace in Middle East. Our price, \$3.50.

Peggy Duff, ed., **War or Peace in the Middle East?**, Spokesman Books (London). 202 pp. 1.95 pounds (paperback). A collection of essays by seven different authors, emphasizing that at the core of the Middle East problem lies the struggle of Palestinians for self-determination, and offering the solution: an independent Palestinian state. Our price, \$3.00.

Abdelwahab M. Elmessiri, **The Land of Promise**, North American. 255 pp. \$7.95 (paperback). A scholarly and objective study of Zionist ideology and Israeli practices, showing Zionism as a political movement more western than Jewish in nature; based on mostly Zionist and Israeli sources. Our price, \$5.20.

F. H. Epp, **The Palestinians, Portrait of a People in Conflict**, Herald Press. 240 pp. \$10.00. Tells a story not widely heard in the West—the Palestinian side of the present Middle East conflict. Our price, \$6.25.

David Hirst, **The Gun and the Olive Branch**, Faber & Faber. 367 pp. 6.50 pounds. Aptly subtitled "The Roots of Violence in the Middle East." In tracing these roots, the author explodes a number of myths about both Arabs and Zionists. A carefully researched and documented account. Our price, \$7.95.

Sabri Jiryis, **The Arabs in Israel**, Monthly Review Press. 314 pp. \$12.50. Expanded version of Jiryis' original authoritative account of the deprivation of Arabs living in Israel. Our price, \$7.75.

Peter Mansfield, **The Arab World** (title of British edition, "The Arabs"), T. Y. Crowell. 572 pp. \$16.95. A very readable history of the Arabs from pre-Islamic times to the present, with an objective account of the establishment of the State of Israel and the resultant effect on the attitudes of the Arabs. Our price, \$10.00.

Moshe Menuhin, **The Decadence of Judaism in Our Time**, The Institute of Palestine Studies. 589 pp. \$12.00. A protest against the identification of Judaism with Zionism, emphasizing that Judaism as a faith must not be equated with a national movement. Our price, \$7.00.

Ephraim Sevela, **Farewell, Israel**, Gateway Editions. 295 pp. \$12.95. The author's disenchantment with Israel, which he had thought would be the fulfillment of his dreams, is emotionally expressed in his treatment of what he calls Israel's "racism" and the disintegration of the world's Jewish communities. Our price, \$8.00.

R. P. Stevens & A. M. Elmessiri, **Israel and South Africa: The Progression of a Relationship**, New World Press. 214 pp. \$6.00 (paperback). Traces historical framework of relations between these two countries, both believers in racial and cultural superiority over the "native population." Our price, \$3.25.

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**The Link** aims at maintaining contacts among Americans who believe that friendship with the people of the Middle East is essential to world peace, who would contribute to this goal by spreading understanding of the history, values, religions, culture and economic conditions of the Middle East, and who would—in this context—press for greater fairness, consistency and integrity in U.S. policy toward that area.

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