driven short-term rates on dollar instruments downward.

Finally, last week the Federal Reserve announced that money supply grown (M1) jumped only $2.1 billion, far below the predicted $4 to $5 billion range of increase, which might have been used as an excuse by Miller to tighten interest rates.

The broad recognition of the failure of the Miller strategy was pointed out in an April 20 *New York Times* column by Leonard Silk, who points out that signs of a stronger dollar began to show up two weeks ago when the trade deficit was announced without panic dollar selling. Then with President Carter's April 11 announcement of Robert Strauss's appointment to a key Administration economic post, the small investor joined the foreign investors and New York banks in rallying the stock market. Silk quotes former Nixon and Ford Council of Economic Advisors chairman Alan Greenspan that the inflation which Miller prattles about is already being prediscounted on the international money markets and therefore is no cause for fright.

Carter's Weak Side

Despite the Arab-European-American boxing-in of Miller, Carter has left himself wide open for further British destabilization by proposing an incompetent domestic economic program—nothing more than the $25 billion tax cut.

While the 0.6 percent GNP drop for the first quarter was certainly attributable in large part to the coal strike and bad weather, as Commerce Secretary Kreps announced April 19, "it gets harder and harder to keep up growth as we get further into the recovery phase." Kreps added that the U.S. will not meet its limited 4.5 to 5 percent yearly GNP growth target. In this light, $250 to $300 billion in exports of U.S. high-technology and nuclear goods yearly could certainly solve several problems.

—Richard Freeman

Bank Economist: Let's Crash

Albert Sommers, a consulting economist for British-linked investment house Drexel Burnham, provided a justification for policies that will lead to a U.S. economic crash in that bank's April 10 newsletter.

The possibility exists and the probability is rising that the intertwined problems—domestic inflation, the dollar issue and the trade issue—confronting the nation will be dealt with by a major policy upheaval. . . .

G. William Miller might initiate this upheaval by sharply raising interest rates and if the reaction of general economic policy to an increasingly restrictive monetary policy were not to be reasonably prompt, then the probability of general recession by the end of the year would certainly require consideration.

Gathering inflation is weakening the dollar; a weakening dollar is intensifying inflation. This combined domestic and international dilemma resembles. . . the circumstances that produced the dramatic decisions made by the Nixon Administration at Camp David in August of 1971—decisions that produced an integrated domestic and international program of wage-price controls, devaluation and the end of Bretton Woods, and an import surcharge. Such a policy earthquake, displacing and reshaping a large part of policy terrain on which all current models rest, is by no means assured. But the possibility exists, and the probability is rising.

Conference Stresses World Significance Of U.S.-Arab Collaboration

Exclusive to the Executive Intelligence Review

The U.S.-Arab Chamber of Commerce in New York hosted the first of five conferences last week, drawing together over 100 trade and development delegates from the Arab world and close to 400 American business participants. The conference, which stressed the need for transfers of American technology to the Mideast and the reciprocal potential of the Arab population for major

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contributions to international development, will be followed by similar events in Washington, D.C., Houston, Los Angeles, and Chicago in the coming weeks.

The conferences, arranged by several U.S.-Arab Chambers of Commerce around the themes of U.S. investment in the Mideast and expanded U.S.-Mideast trade, are the most visible organizing vehicles to date of the industrial investment-export policy associated with the Administration faction around Special Trade Negotiator Robert Strauss, Secretary of State Cyrus Vance, and allied circles in the U.S. private sector.

Prince Mohamed al-Faisal of Saudi Arabia set the tone with a hard-hitting address to the Tuesday luncheon, which drew several standing ovations. "I've been wracking my brain," he reported, to define exactly what the "special relationship" is that exists between America and the Arab world. "The United States has science, technology, social-human institutions to a high degree; knowledge; wealth. The Arabs have a common heritage that puts them in the center of world events. We must apply the strengths of each side of this special relationship. The Arabs have a world-genius, a commitment to universal mind; but we need technology."

Faisal drew a sharp distinction between wealth and liquidity. The Arab world, or at least the oil-producing nations, have a vast amount of liquidity, he said, but the "richest" of these nations is far poorer than the poorest European country in real wealth, in generative industry and agriculture. The prince challenged the American businessmen in attendance to use their "ingenuity" to overcome the major obstacles to realizing the potential special relationship between the Arabs and America, particularly the chronic misrepresentations of Arab goals and actions in the Western press. "We are not ogres, we are not avaricious; and I resent this attitude"—but, "what we can do with a cooperative effort is of tremendous significance for ourselves and for mankind."

Asked for more detail on the "obstacles" to American understanding of the Arab world, Faisal replied, "Let me emphasize that the problem has nothing to do with the United States or the Arabs"—drawing an ovation—"but I do not want to interfere in the internal affairs of the United States."

Little U.S. Investment

Later speakers made clear how minute U.S. investment in the Arab world actually is. Using the example of General Motors, which had sent a speaker to one of the early panels, Burhan Dajani, coordinator for all the local U.S.-Arab Chambers of Commerce, noted that Mercedes-Benz had built an auto plant in Kuwait after GM had decided against such an investment. As a result, Mercedes has entered into a partnership with the Kuwaiti government and opened up not only a Middle Eastern market for investments and sales, but profitable lines back to the mother country as well. GM and Chrysler have plants in England, he commented; they would do not better there than in the Arab world—and if GM and other U.S. firms do not open up production facilities in the Mideast, then other countries certainly will.

Americans are not yet taking any equity positions in the Arab world, reported a Jordanian delegate. For example, only Chase, Citicorp, and a major life insurance company have any holdings at all in Jordan. Moreover, U.S.-Arab trade, in which U.S. exports have increased from $1 billion in 1971 to $8 billion in 1977, is still troubled by the gap between exports and imports. In 1977, the U.S. imported $20 billion worth of commodities from the Mideast, mainly oil, a gap which can be closed readily by expanding U.S. exports of high-technology industry—which would in turn expand the Mideast markets available to other U.S. and Western exports and equity investment as the overall standard of living of the population rises.

At the meeting, speaker after speaker stressed the recognition in the Arab world that oil will not last forever, and that industrialization must be the immediate step for the region. In response to a reporter's question on the prospects for a reconvening of the Geneva peace conference along the guidelines of the October 1977 U.S.-U.S.S.R. joint communiqué, Dajani emphasized the requirement for peace if economic initiatives in the area are to succeed, but stressed that "we want to lay the basis for a lasting peace"—based on economic development—"not something temporary."

The first day's panel discussions took up in detail the possibilities for expanding U.S. industrial and trade investment in the region, the role of agribusiness in Mideast development, and the requirements for infrastructure and services development. The Arab delegation was given a tour of the World Trade Center the following day, with a presentation on plans by the New York-New Jersey Port Authority for port and other development of the New York harbor region. Guy Tozzoli, director of the Center, reported that the Port Authority had "gotten the blessings" of Washington to take in Arab investment funds for these port development projects, and will soon send a delegation to the Mideast to explore such possibilities. The report follows by two weeks the announcement by Nelson Rockefeller, long the leading political figure behind the Port Authority, that he will be establishing a New York-based corporation in partnership with Arab "petrodollar" equity with the purpose of channeling such funds into basic energy and food production projects in the U.S. and Third World.

In private discussions, several highly placed Arab development officials and government economic advisors reiterated the commitment of leading Arab OPEC forces to the U.S. dollar as the primary international reserve and trade currency. "Look," one such official reported, "we have stood by the U.S. and the dollar throughout the recent period. We have $65 billion invested in the U.S.; we have kept down the price of oil in the interest of the U.S. We are friends who back you up."

—Richard Welsh