

Despite British Countermoves European Monetary Fund Moves Ahead

The strongest public announcement that Europeans and Arabs are pulling together the European Monetary Fund (EMF) appeared in an Aug. 24 *Deutsche Zeitung* interview with West German Finance Minister Hans Matthoef, who indicated that the

EMF — particularly to turn the fund in an anti-dollar direction — are less than honorable. Further, according to reports, Emminger has perceived that the British-Israeli terrorism is directed against the EMF. The Bundesbank has been heavily supporting the dollar in recent days.

WORLD FINANCE

European Monetary Fund will shortly out-dimension the International Monetary Fund. Americans will see that the EMF will stabilize the dollar, Matthoef said. The Finance Minister stated that he takes the dollar fall more seriously than the Bundesbank, the West German central bank, and pointedly noted that there is not now nor will ever be a fight between the Schmidt government and the Bundesbank; the fight is inside the Bundesbank itself.

Sources close to the central bank indicate that Bundesbank president Otmar Emminger has now been convinced to support the EMF. He is reportedly now aware that the British intentions towards the

Top West German industrialists say that they will tolerate the dollar dropping below 2 deutschmarks, and are preparing in good time to drive the dollar up to the previously agreed upon 3 deutschmark level.

Arab Coordination

The announcement by Saudi Arabia's Prince Fahd Aug. 23 that the Saudis will not raise the price of oil at least until 1979 and will not drop the dollar, not only provided support for the dollar, but is known to be a move in coordinating the Arab Monetary Fund with the EMF.

European ministries were briefed on Fahd's announcement several days before it was made public and agreed to "coordinate" with the Saudis. Strategic meetings to couple the EMF and the AMF, begun with a meeting between Chancellor Schmidt and Prince Fahd three weeks ago are continuing, while according to the French daily *Le Figaro*, the Arabs are converting British real-estate investments into dollar investments.

As a senior official in the West German Finance Ministry commented last week, "The British will not get into the EMF without paying a very high price."

The most immediate weakness perceived by the Europeans is the United States, where the Carter Administration and other political forces continue to flounder. While both the Germans and French agree that the EMF must be based on gold, the French are demanding gold backing now; the West Germans are taking a softer position reportedly in order to absorb possible attacks from the U.S.

In the same *Deutsche Zeitung* interview, Matthoef declared: "We will fulfill our commitment to the Soviet-German Accords (of May 6, 1978) . . . and if money is needed for that, it will not be withheld. Washington should not worry; it (the Accord — ed.) is not directed against America . . ." A West German banking consortium, led by Deutsche Bank, is in Moscow negotiating a \$500 million credit line for Soviet development projects and increased trade.

London Out on a Limb

With firm support for the dollar from the Saudis and the Shah of Iran, and the recognition that the EMF is not an antidollar currency bloc, the City of London has been left with few options.

Arab Monetary Fund Opens Door for Business

The Arab Monetary Fund (AMF) made its first loan last week to the government of Egypt in the amount of \$17.5 million. The loan was agreed upon by the Fund's President Dr. Jawad Hashim and Egyptian Central Bank Governor Dr. Mohammed Abdal Moneim Ibrahim in Abu Dhabi, AMF headquarters.

Ibrahim told the Abu Dhabi newspaper *Ittihad* that his government was gratified with the speed with which the loan came through. "It would have taken a long time if the loan was from a non-Arab monetary institution." The loan which will be used to help Egypt with its mounting debts, is being extended at between 3 to 4 percent over a three-year period — terms the International Monetary Fund would not likely meet.

Shortly after the Egyptian loan approval, a Sudanese delegation arrived in Abu Dhabi and a \$7.5 million loan was approved.

The Arab Monetary Fund was founded two years ago with the participation of all the Arab countries. Its capital is still quite small, a little more than \$910 million which is being lent in a unit of account known as the Arab dinar.