ARAB BILLIONS
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reserves the oil-producing countries are accumulating. In 1973, Middle East oil revenues amounted to some $22 billion. In 1974 they may reach $85 to $110 billion.

Together with inflationary pressures, these huge concentrations of funds threaten to upset the balance of payments in many lands and even jeopardize the world's monetary system. In this highly volatile climate, both oil-producing and oil-consuming nations are searching for new and secure investments.

The most immediate questions posed by escalating Arab investments in the U.S. are what form they will take and whether they will be good or bad for the U. S. If oil surpluses could provide a military and political weapon against Israel and the West in the fall of 1973, what might cash surpluses do in the future?

Of the 1974 revenues, some $40 or $50 billion are expected to land in the international money market, which means that the industrial countries, where most of this money is likely to be invested, will not only pay a lot more for the oil they buy; they will also have to find the money to pay the oil producers a reasonable return on their investment. At 10 per cent, that return would come to some $4.5 billion.

Most big American banks say our system "can take it"; but, as Joseph Alsop reports, David Rockefeller, chairman of Chase Manhattan, has his doubts whether the industrial nations can stand the double strain involved: on one hand, as Alsop puts it, their "inability to pay their bills and therefore ... continuously increasing indebtedness"; on the other hand, "the immensity of the sums owed to the oil producing countries...all sluicing about in search of investments."

By 1980, The Chase Manhattan Bank estimates (The Wall Street Journal, March 5), Arab foreign reserves may total over $400 billion--compared to a mere $5 billion in 1970. Others foresee figures around $600 billion. "Imagine the problem," wrote Edward R. F. Sheehan in his New York Times Magazine article (March 24), when Saudi, Arabia, a nation of 5 million people, with projected 1980 foreign reserves of about $200 billion, "contemplates accumulating ...half of the holdings on the Eurocurrency market and a third of the whole world's central bank reserves."

As of late April, about $1 billion of the Arab oil states' new wealth had flowed to the U.S.

Roger Tamraz, a Lebanese who represents Kidder, Peabody in Beirut, has said: "There is no reason why we (the Arabs) should not control U.S. companies. We can hire the best lawyers, the best public-relations people, the best accountants. I think we should make a major take-over in the States as a matter of principle."

Clearly, a moneyed, get-rich-quick business class has emerged in the prosperous Arab nations, aided by the fact that Kuwait and Saudi Arabia have no exchange controls of any kind.

A leading investment for Middle East oil producers has been good real estate, including hotels, apartment houses, office buildings and more recently, large tracts of land for development.

Adnan M. Khashoggi, an already world-famous Saudi Arabian tycoon based in Beirut, recently bought $1 million of raw land in California for development.

In early March 1974 the Kuwait Investment Company bought beach-girdled Kiawah Island off the coast of Charleston, South Caroline, for $17.4 million in cash, planning to develop a $100 million residential resort there in the next 15 years. The same company put up $10 million, or half the equity, for a downtown Atlanta center, which will include a Hilton hotel and a shopping mall.

Enck, Hollingsworth and Reveaux--a Louisville, Kentucky, real estate and finance company --will invest an initial $50 million of Lebanese and Kuwaiti money in American real estate, backed by a $200 million line of credit. Ultimately, the company claims, the investment will reach $250 million.

Wooten & Associates, Dallas builders and developers, say they have $200 million of Middle East financing for apartment house development in St. Louis.

The Shaw of Iran, through his Pahlevi Foundation, has bought 642 Fifth Avenue in New York City.

Over a few short years, Kuwait has become the fifth largest investor in risk-free World Bank bonds, to the tune of $442 million. Only the U.S., West Germany, Japan and Switzerland hold more. At the same time, both Kuwaitis and other Middle East investors are buying interests in U.S. banks or opening new banks here.

Iran plans large investments in blue chips, and has agreed to a joint venture with Ashland Oil; and the "hot money" of individual Mideast speculators is also likely to find its way into U.S. equities. "Don't be surprised," the director general of Beirut's Banque de la Mediterranee said on a recent visit to New York, "if Arab interests already have a significant participation in American companies." A favorite Washington parlor game, a popular women's magazine noted not altogether frivolously in March 1974, is guessing if King Faisal will want to buy General Motors.

Buy Israel Bonds

ISRAELI NAVY HITS LEBANESE PORTS

TEL AVIV (WNS) -- In an action officially described as intended to forestall terrorists raids on Israel by sea, Israeli naval forces sank an estimated 30 fishing boats at the ports of Tyre, Sidon and Ras E Shak in Lebanon.

Israeli sources said the sea-borne terrorists who murdered four people and wounded five in Nahariya had embarked from one of these three ports. A communique, issued here said that the naval action was limited in scope to avoid hurting innocent people. Leaflets scattered at each port said "Do not let them (terrorists) act from your home."

The Israeli action was seen as a warning to the Lebanese government and to Lebanese fishermen not to provide facilities for the terrorists. The Israeli raid was criticized by the afternoon newspaper Maariv which said the fishing boats were civilian targets and there is no war between Israel and innocent fishermen. The other afternoon newspaper, Yediot Aharonot, approved the attack as a way to prevent further terrorist murders in Israel. In Jerusalem, Information Minister Aharon Yariv said the action was decided upon after Israeli intelligence received reports of terrorist preparations for further attacks from the sea.

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