ARTICLE APPEARED
ON PAGE D.C.9

WASHINGTON POST
7 JULY 1982

JACK ANDERSON

Saudis Holding Potent Weapons To Sway U.S.

The United States today is more vulnerable to foreign pressure than it has been since the early days of the republic. This pressure is wielded by the remote desert kingdom of Saudi Arabia, whose vast oil wealth is mismatched to a small, backward population.

The cautious Saudi rulers are aware that their influence is not rooted in real power. They are inclined, therefore, to deliver their threats delicately, lamenting that it must be done and scolding us gently for the follies which force them to do so.

The latest threat was precipitated by the Israeli thrust into Lebanon. It's not, the Saudis explained forlornly, that they want to cut off oil shipments to the United States and withdraw their billions from U.S. repositories. But the internal dynamics of the Arab world may compel them, however reluctantly, to use their economic weapons against the United States unless the Reagan administration can restrain Israel.

This strange tyranny of the weak over the strong may be succeeding. For President Reagan appears to be acquiescing to the Saudi demands. Secretary of Defense Caspar Weinberger, who wants to take a harder line with Israel, has now prevailed over outgoing Secretary of State Alexander Haig. Supporting Weinberger is the president's national security adviser, William Clark, who has fired some pro-Israel strategists from the National Security Council.

Then add George Shultz, who has been appointed to take Haig's place. Both Shultz and Weinberger were brought into the Reagan administration from Bechtel, which did a minimum of $666 million worth of business in the Arab world last year. By far their biggest single customer was Saudi Arabia.

The Saudis can surely be forgiven if they get the idea that their behind-the-scenes threats had something to do with Reagan's realignment of his policymakers.

It's easy enough for Americans to understand the consequences of a Saudi oil embargo: gas station lines and huge increases in fuel prices. But the threat of withdrawing Saudi investments from the United States is not so easy to grasp.

The Saudis have poured billions of petrodollars into U.S. banks, businesses and land holdings. Their investments have given them a silent partnership in ever-widening circles of our business community.

But their biggest partner is the U.S. government itself. Of the estimated $50 billion worth of known Saudi investments in this country, the bulk is in Treasury bills and other government securities. This gives the tribesmen in their burnooses great clout in the backrooms of the State, Defense, Treasury and Energy departments.

The reason is that a sudden wholesale withdrawal of Saudi funds would cause serious disruption of the U.S. economy. If the Saudis cashed in their Treasury chips and transferred their billions to banks abroad, the federal government could still borrow the money back from overseas. But the move would drive up interest rates, undercut business recovery and prolong the recession and high unemployment.

As far back as 1978, a CIA report warned that "temporary dislocation of international financial markets would ensue if the Saudi Arabian government ever chose to use its accumulated wealth as a political weapon." This is now precisely what the Saudis are threatening to do.

What can the U.S. government do to counter such a Saudi move? The answer is: freeze their assets. Treating the Saudis like the outlaw Iranian government of Ayatollah Khomeini would have disastrous political effects, of course, but it would be effective.

Except for one thing: the Treasury might not know the Saudis were pulling their money out until too late. Information on Saudi investments is scarce.