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The Transnational Investment Bloc in U.S. Policy Toward Saudi Arabia and the Persian Gulf

Abstract

U.S. policy toward Saudi Arabia and the Persian Gulf is driven by the economic and geopolitical interests of a U.S.-Saudi transnational investment bloc that derives steady profits from the region.

Keywords

U.S. Foreign Policy, Corporations, Saudi Arabia, Persian Gulf, Interest Bloc

Introduction

We develop a critical political economy framework to interpret, analyze and explain U.S. foreign policy toward Saudi Arabia and the Persian Gulf. In doing so, we argue that U.S. policy in the Persian Gulf goes well beyond the geopolitics of “oil for security,” which has been the focus of many scholarly studies. In our framework, U.S. policy can best be understood as protecting the economic and geopolitical interests of a U.S.-Saudi transnational capitalist investment bloc that derives steady profits from the Persian Gulf. This transnational investment bloc intersects, informs, and influences the geopolitical strategy of U.S. foreign policymakers in privileging U.S. ties with Saudi Arabia and Gulf Cooperation Council states. The lengthy history of U.S. military expansion in the Persian Gulf has been supported and encouraged by a transnational investment bloc that benefits directly from U.S. foreign policies that enhance the commercial and profit-making opportunities of this bloc. The deepening ties of transnational investors to Saudi Arabia and the Persian Gulf has become a much more important explanation for recent U.S. policies in the region than the standard framing of U.S. policy as “oil for security.” U.S. policies have worked to maintain and increase investment opportunities that favors a U.S.-Saudi transnational investment bloc.

We refer to several groups of U.S.-Saudi investment partnerships as part of an investment bloc due to their mutual geostrategic and economic interests in enhancing the overall investment climate in Saudi Arabia and throughout the Persian Gulf, where profit-making opportunities have expanded over the decades and are increasingly connected to joint ventures both in the Persian Gulf and the U.S. This has provided the economic foundations for a politically powerful investment bloc that has a strong economic interest in maintaining U.S. foreign policies that support Saudi Arabian interests in the region.

Contrary to accounts of Saudi Arabia that separate U.S.-based transnational energy corporations from the state-owned Saudi Aramco, we show that prominent U.S. transnational energy corporations have significant investment partnerships with Saudi Aramco that have become more important over the decades. We also discuss the deepening investment ties between U.S. military contractors, weapon sales, and security assistance to Saudi Arabia, which have become lucrative sources of profits for U.S. defense and security firms. The mutual interests of U.S. defense and private security firms in the stability of the Saudi state provides direct profits to military contractors. These relationships also function to ensure profit-making opportunities for current and future investors in Saudi Arabia and the Persian Gulf.

As we also discuss, the Saudi Sovereign Wealth funds provide important sources of capital for U.S. commercial and investment banks, as well as sources of support for U.S. financial markets, start-up funds for commercial ventures, and investment funds for an expansion of U.S.-Saudi business projects in the U.S. market. These financial investments link transnational capitalists from Saudi Arabia to the U.S. to the global economy, providing economic incentives for a transnational capitalist investment bloc to favor pro-Saudi policies in the Persian Gulf. We develop an overview of the transnational investment bloc as a political power-broker in helping to shape U.S. foreign policy in the Persian Gulf. Transnational investors that profit from the U.S.-Saudi investment nexus are deeply embedded within think-tanks and interest groups that influence the direction of U.S. policy in the Persian Gulf, including hardline policies toward Iran.

Only when a comprehensive picture of the economic links between U.S. and Saudi Arabia is drawn can we fully grasp the political and security implications of these links for the Persian Gulf and the Middle East. In the remaining sections, we will examine the historical foundations of the transnational investment bloc, followed by an analysis of how various sectors of U.S. capital have operated as part of this investment bloc to influence U.S. foreign policy toward Saudi Arabia and the Persian Gulf.

The Historical Foundations of the Transnational Investment Bloc

As an interwoven network of state and corporate elites, the transnational investment bloc has used its political power to shape U.S. economic and security policies toward the Persian Gulf region, particularly Saudi Arabia. Due to sitting at the crossroads of U.S. geostrategic interests and the imperatives of the global economy, the bloc gains more authority and legitimacy in times of perceived crises in the Persian Gulf. The bloc has used its political influence to directly impact U.S. policy toward Saudi Arabia, and the region in general, by working closely with high-level U.S. policymakers in corporate-funded political think tanks and policy-planning organizations to advance the following agendas: 1) Deepening the trade and investment ties between the U.S. and the Gulf Cooperation Council (GCC) member states, particularly Saudi Arabia, and integrating their economies into transnational capital; 2) Militarization of the U.S.-GCC relations through arms sales, prolonged military training programs, material pre-positioning and basing arrangements, joint exercises, and direct military interventions. As a result, the bloc secures the stability of the global energy and capital markets and maintains the status quo (at least in short term) through promoting pro-Saudi policies in the region.

Transnational investors that profit from the U.S.-Saudi investment nexus are well-organized through such economic bodies as the U.S.-GCC Corporate Cooperation Committee (referred to as the Committee herein), U.S.-Saudi Arabia Business Council (the U.S. has joined the same councils with other GCC members), and Business Initiative. In addition, this investment bloc is deeply embedded within a wider network of think-tanks and interest groups that have influenced the direction of U.S. policy in the Persian Gulf over the past four decades. The last years of the 1970s witnessed a remarkable mobilization of these groups. Their influence consolidated during the Regan administration and their narrative of U.S. “national interests,” “national security,” and “threats” to “U.S. interests” in the Persian Gulf became the political consensus-building strategic wisdom ever since. Together, they have manufactured this image of vitality of U.S.-Saudi Arabia and U.S.-GCC countries for strategic and economic interests of the U.S. as a whole. The goal is to create a barrage of analysis papers and policy recommendations to sell this picture to the White House, Congress, and American public. As a result, the bloc has become hegemonic over time and to a great extent blocks any other policy initiative that endangers its profitability.

The National Council on U.S.-Arab Relations (NCUSAR) is such an organization whose specific focus is U.S. economic and security policy in the Persian Gulf. Founded in 1983, the NCUSAR serves as the Secretariat of the Committee in Washington D.C which coordinates its public affairs

programs and implements its events and activities.¹ The founding president and the CEO of the NCUSAR, John Anthony, has worked closely with the Committee and is well connected to its corporate members- like Burton P. Bacheller from Boeing and then chairman of the Committee- as well as its state members. He has been the only American who has ever attended the GCC ministerial and heads of State summits since the inception of the GCC in 1981. He has access to Department of Commerce through senior officials like Jan H. Kalicki, a counselor to the Department of Commerce and exceptionally active member of the Council on Foreign Relations (CFR). A revolving door between the state and corporate actors, Anthony is also a lifetime member of the CFR since 1986.²

Anthony is the editor of the U.S.-GCC Occasional Paper Series published by the Committee. The sixth paper, written by Anthony himself in 1999, indicates the extent to which the Committee and the NCUSAR are aware of the U.S.-GCC strategic interests and involvement in the region. Immediately after pointing out the mutual benefits of economic restructuring of the GCC energy sector, and the profitability of deepening the trade and investment ties with the GCC countries for American corporations, the paper links “defense with commerce and commerce with defense.” It explicitly advertises the value of defense arrangements between the U.S. and the GCC member states. In doing so, it acknowledges that the realities of mutual interests in protecting the “vital assets and interests” of both sides “provide context for the fact that most GCC countries are co-signatories to defense cooperation agreements with the United States... They provide context also for what the agreements make possible: continuous consultation, joint training maneuvers, and the pre-positioning of allied forces' defense equipment. As testimony to the overall credibility and operational success of these agreements, the last aggression against the GCC countries occurred nearly a decade ago” (Anthony 1999, 5).

It is not a coincidence that the policy paper emphasizes the value of defense cooperation in securing business prosperity in the region at the same time the governments of the U.S. and the GCC members were weighing the costs and benefits of the Cooperative Defense Initiative proposed by Secretary of Defense, William Cohen, in 1998.³ In fact, the GCC members considered the Initiative extravagant and showed resistance in embarking on the project, notwithstanding the recovery of oil prices which gave them their required budget (Henderson 2001). The paper rebukes the opposition to the U.S. military expansion in the region by capitalizing on the fear of having another of Iraqi invasions of the 1980s and resorts to what-if-ism, asking: “What if the views of those who claim the threats to the member-states to be non-existent, minimal, manageable, or exaggerated happen to be wrong, as has happened twice in the past two decades? How much more expensive might the cost be in the event current deterrence and defense arrangements were absent and another war were to occur? Were armed conflict to recur, given present world financial circumstances,

¹ Such important events as the 1993 U.S.-GCC Private Sector Business Conference which was organized by the Committee for the first time and held in Washington DC. The conference attracted hundreds of public and private sector leaders and officials in order to further promote the agenda of strengthening business and security ties to the region.

² Dr. Anthony currently serves on the United States Department of State Advisory Committee on International Economic Policy's Subcommittee on Sanctions. The political implications of his role will be examined in the next section.

³ The Initiative would establish a military communication network linking the GCC member states and a missile warning system. The Initiative was proposed to link the network to U.S. systems in order to integrate GCC defenses within the region as well as with the United States.

which country or countries would likely be able and willing to assume the multibillion dollar cost of the massive mobilizations and deployments that would likely be required to end it?" (Anthony 1999, 6).

The Committee and the NCUSAR have been very effective in promulgating these ideas within the U.S. and GCC governments as well as the American public. In most of the meetings they sponsor, they host GCC's Secretary Generals and state officials and make sure to invite senior officials from the White House, National Security Council, and Departments of State, Defense, Commerce, and Treasury. They also arrange meetings between GCC officials and U.S. Senators and Representative and their staff. As for the public, they have managed to spread their manufactured picture of the thriving U.S. business within the security nutshell in the PG through addresses to National Press Club, the World Affairs Council, The CFR, and the U.S Foreign Service Institute. Universities, conferences, public policy research institutions, and making appearance on talk shows in national TV and radio are other ways through which the Committee communicates with the American people (NCUSAR 1994).

The embeddedness of the corporate elites in political think-tanks runs deep into the organizations whose areas of focus have been broader and their influence much more impactful than that of the Committee and the NCUSAR. Transnational investors with ties to the U.S. military have long been financing a group of conservative and neoconservative organizations which have consistently argued for the continuation of U.S. trade, investment, and U.S. military ties to the Persian Gulf. These organizations share the Committee and the NCUSAR's goals regarding the stability of the region and the ways to reach it but have always located them in bigger strategic picture that dominates the U.S. strategic debate at the time. In the first phase of the U.S. militarization of the Persian Gulf in the 1980s, during the Tanker War and intervention in Iran-Iran war, Persian Gulf policy was seen through the prism of the Soviet threat, exemplified with the invasion of Iraq. The strategic pretext in the second phase of the militarization, which began with the Gulf War of 1991, was the threat of "rogue states." And the third, and the current, phase which began with the Iraq War of 2003 is located by this network within the global threat of terrorism.

Alongside NCUSAR, many other corporate funded think-tanks have toughened their policy recommendations toward the Persian Gulf during what Cox (2014) refers to as "critical junctures." They have unanimously contended that the Persian Gulf is at the center of (West-East, West-rogue states, or West-terrorism) confrontation and supported revitalization of the U.S. military power by renewing military alliances, strengthening power projection, increasing arms sales, and securing basing rights in countries of the region (Peschek 1987, 156). These include the Committee on the Present Danger (CPD), funded heavily by U.S. defense contractors, and its partner, the National Strategy Information Center (NSIC), linked to the CPD through overlapping members like Richard Pipes. In a book entitled *The United States and the Persian Gulf: Past Mistakes, Present Needs*, the NISC warns the Reagan administration that the Soviets can exploit the instability of the Persian Gulf, caused by the "military autocratic" regime in Iran, to their advantage by establishing closer diplomatic relationships to anti-U.S. regimes in order to gain a strategic edge over the U.S. "Any further increase in political instability," the book argues, "would create a situation in which continued access to the region's oil reserves, and therefore the survival of Western economies, would certainly be endangered." Saudi Arabia is the central piece of the puzzle and the key to the stability of the region which "if it were to shift from royal rule to another form of government,

continued Western access to the oil resources of the region might be placed in doubt.” The central argument of the book is that the U.S. can counter the destabilizing forces in the region, particularly those resulted from “rapid and unpredictable political change” by permanently deploying its military, especially its naval force (Cottrell and Moodie 1984, 2-4).

Some of these think-tanks even receive sizable contributions from Saudi Arabia. The Center for Strategic and International Studies (CSIS) received \$600,000 in 2015.⁴ The CSIS has been long promoting militarization of US policy in the Middle East, including support for maintaining and reinforcing the US-Saudi geostrategic alliance (Cox 2014, 5-6). Most of the Center’s analysis papers imply that security arrangements in the Persian Gulf would be impossible without the presence of the U.S. military. In January 1988, the CSIS published a report, put together by the U.S. Commission on Integrated Long-Term Strategy, entitled “Discriminate Deterrence.” The Commission, which was chaired by Fred Ikle and Albert Wohlsteter and included distinguished strategists such as Brzezinski, Kissinger, Huntington, and eight other members, developed one of the most influential and consequential military strategy documents for the U.S. military planning in the post-Cold War era.

Outlining its recommendations for U.S. strategic policy in the Third World, the Commission emphasized being prepared for “low-intensity” and “high-probability” conflicts where “the enemy” is “more or less omnipresent and unlikely ever to surrender” (Seligman 1988, 14). Most of what was crafted in the report had been among the policy preferences of the CPD. They were later acknowledged in Defense Planning Guidance drafted by Paul Wolfowitz in 1992 and emboldened after 9/11.⁵

The following statement from the report is emblematic of the strategic recommendations of the CSIS for the Persian Gulf: “we should continue to encourage other friends...—Saudi Arabia, for example—to help improve U.S. access and make bases available in an emergency for the only power that can defend them...The threat we will face in the region is that the Soviet Union will be able to put enormous forces on the ground rapidly, before we have a chance to block them.” The CSIS’s recommendations created a rationale for maintaining U.S. weapons systems even after the end of the Cold War. The U.S. National Security Strategy of 1990 emphasized the necessity of responding to “turbulences in the most vital regions” which required the strategy of “discriminate deterrence” as a military strategy that “would contain and quell regional and local conflicts in the Third World with lightning speed and sweeping effectiveness before they got out of hand” (Hossein-Zadeh 2006, 85).

Other policy-planning organizations that are substantially financed by the transnational investment bloc include, among others: American Enterprise Institute (AEI), the Institute for Contemporary Studies (ICS), Center for Security Policy, (CPS), Project for New American Century (PNAC), and National Institute for Public Policy (NIPP). They all have contributed to manufacturing a picture of constant threat to U.S. national security in the Persian Gulf that needs to be addressed with U.S. military augmentation in various forms. At the same time, the majority of them have endorsed the

⁴ Atlantic Council received \$2 million in the same year. See (Gagliano 2021).

⁵ Through the efforts of think-tanks like the Project for the New American Century, founded by William Kristol and Robert Kagan, Center for Security Policy, and National Institute for Public Policy.

commercial and strategic relationship between the U.S. and Saudi Arabia, and the GCC countries in general, and lobbied for their increase.⁶

The next sections examine how other powerful sectors of U.S.-based transnational capital were embedded in the transnational investment bloc promoting U.S. militarization and an expansion of transnational investments in the region.

Transnational Investment Bloc and Petrodollars

During the 1970s, the Saudi government gradually asserted ownership and control of Aramco, an oil corporation that had been owned and operated by a consortium of U.S. energy corporations as part of a “participation agreement” with the Saudi government. The transition to complete Saudi government control of oil production and revenues was essentially completed by 1980 after a decade of negotiations steadily increased the ownership stake of the Saudi government- though the name change from Aramco to Saudi Aramco would not be official until 1988. Like other GCC countries, Saudi Arabia benefited from the oil price boom of 1970s and 2000s.⁷ As a prominent force behind what has been termed “statist globalization,” (Harris, *Statist Globalization in China, Russia and the Gulf States* 2009) the Saudi government invested petrodollars in global markets, providing sources of capital for U.S. commercial banks located in the deregulated Eurodollar markets of London and Paris. These dollar deposits, made possible by a petrodollar surplus emerging from the oil price hikes of 1973-74 and again from 1979-81, were recycled by U.S. banks to finance Third World debt. In addition, the Nixon Administration, led by U.S. Treasury Secretary William Simon, negotiated a deal with Saudi Arabia in July of 1974 to invest their surplus petrodollars in U.S. Treasury Bonds, which helped underwrite U.S. debt and finance the U.S. empire. In return, Nixon officials promised Saudi Arabia increased arms sales and defense commitments in exchange for assurances from Saudi Arabia for Western access to Middle Eastern oil and for assistance in helping to stabilize oil prices in global markets (Cooper 2008; Wong 2016; Gibbs 2021).

Since this agreement was reached, Saudi petrodollars have flowed through U.S. financial markets, initially linking Saudi investors as major sources of credit for the U.S. Treasury, and as important sources of capital for U.S.-based transnational commercial banks, buttressing their capital reserves as they sought to manage their leveraged position during the debt crisis in the developing world during the 1980s. Petrodollars also functioned as a key element in sustaining the high levels of U.S. debt and global imbalances that have been an important characteristic of the structure of the global economy in the post-2000 era (Hanieh 2011, 97).

⁶ For example, in its publication entitled: *National Security in the 1980s*, the ICS recommends increasing investment and financial arrangements between the U.S. and Saudi Arabia. In another example, AEI’s energy analyst, Richard Erb, also supports the same thing, pointing out that what is necessary for the U.S. to hold onto in the PG is: a “Better climate toward Saudi foreign investment, more U.S. corporate involvement in the desert state’s economic program, and stronger ties between Saudi central bank and the U.S. Federal Reserve Board and Treasury Department.” (Peschek 1987, 101-102).

⁷ From \$9.76/barrel in 1999 to \$90.32/barrel in 2007 and to over \$145 in the first half of 2008. See (Hanieh 2011).

With the decline in oil prices that occurred after 1981, Saudi Arabia began to use petrodollars to transition to foreign direct investment strategies that offered investment opportunities to transnational capital in the areas of defense contracting, commercial manufacturing and service sector investment. According to the World Investment Report of 1997, “the share of inward FDI stock in GDP increased from 6.6 percent to 39 percent between 1980 and 1990” (Bardesi, Davies and Ozawa, 2002, 50). Some of the most significant partnerships were in the petrochemical sector, led by the Saudi Basic Industries Corporation (SABIC), a subsidiary of Saudi Aramco, established in 1976. SABIC undertook joint ventures with a wide range of transnational energy firms, including U.S. firms such as Shell Oil, Exxon Chemical, Mobil Oil (all three were previous investors in Aramco), Hoechst-Celanese, and Texas Eastern. There were also numerous joint ventures with a consortium of Japan corporations led by Mitsubishi, as well as German, Finnish, South Korean, Italian and Taiwanese corporations. In the non-energy sector, foreign investors were concentrated in the defense market, including U.S. transnationals General Dynamics, General Electric, McDonnell Douglas, Hughes and United Technologies, Lockheed-Martin, Raytheon, TRW, and Northrup Gruman (Bardesi, Davies and Ozawa, 2002).

After the initial growth of foreign direct investment in the 1980s, the next surge of FDI took place from 2000 to 2008, made possible by a tenfold increase in oil prices from 1999-2008, driven largely by rising demand from China. Saudi Arabia and the UAE used Sovereign Wealth Funds, quasi-government agencies that managed the revenues from natural resources, to invest heavily in GCC and foreign markets. The exponential growth of petrodollar revenues led to the emergence of a heavily consolidated capitalist class in the GCC with an ownership stake in petrochemicals, construction, real estate, financial investments, and services. By the 1990s and early 2000s, GCC governments worked together and in coordination with international financial institutions and trade organizations (including GATT and the WTO) to lower trade barriers and capital restrictions among GCC countries. Large-scale corporations from Saudi Arabia and the UAE benefited the most from this market liberalization. Foreign investors, led by U.S. corporations, also increased their FDI during this period, building on earlier joint venture partnerships in petrochemicals, manufacturing, military contracting and services.

U.S.-based transnational corporations worked with the U.S. government through the U.S.-GCC Business Dialogue in 1980s to negotiate with Saudi Arabia and other Gulf States to promote an expansion of U.S.-Saudi business ties. There was a major effort by the U.S. to aggressively pursue business opportunities for American companies in the region which would marry their advanced technologies and marketing techniques to the production of petroleum-based products.⁸ Such efforts started in the Reagan era, continued with G.W. Bush, and were consolidated in the Clinton administration. U.S. energy corporations like Shell, ARCO, Chevron, Conoco, Exxon-Mobil, Occidental, and Texaco were the first “pre-qualified” transnational corporations to engage in energy ventures in the region.⁹ Over time, other sectors, especially the top military contractors in defense industry¹⁰ expanded their investments to the region (Anthony 1999, 7-9)

⁸ The gigantic Saudi Arabian Basic Industries Corporation (SABIC) is born of this marriage (Anthony 1999).

⁹ Along with Union Carbide, CMS Energy, among others.

¹⁰ Lockheed Martin, Boeing-McDonnell Douglas, Raytheon, TRW, Northrop Grumman, General Dynamics, General Electric, and Hughes Aircraft.

Now, more than before, the two countries have a mutual interest in maintaining the stability of the global capitalist system. Recent developments in Saudi Arabia's economic strategies have further tied this country to the U.S. capital markets. Prince Mohammed Bin Salman has been trying to reduce oil dependency and turn Saudi Arabia into a foreign investment hub. In order to accomplish this task, Saudi Arabia has been notably investing, largely through its Public Investment Fund,¹¹ in the U.S. financial and capital markets, which includes Silicon Valley and many others. Here are some of the investment ties that Saudi Arabia has established with the U.S., particularly over the last five years.

Energy ties: The rise of the U.S. domestic production, due to drilling technologies and imports of crude oil from Canada, has not dramatically affected Saudis' share of the U.S. oil market and its commercial and political outcomes (Kemp 2016).¹² Today the U.S.-Saudi Arabia energy connection is no longer limited to the crude oil export.¹³ There have been multiple energy joint ventures (JV) between U.S. oil companies and Saudi Aramco. Of great importance are its 50-50 JV with ExxonMobil known as SAMREF, with Shell known as SASREF¹⁴ and between Petromin¹⁵ and Mobil known as PEMREF.¹⁶ Among U.S. oil companies, Shell seems to be more involved in projects in Saudi Arabia. For it is Saudis' main SABIC's¹⁷ partner within Saudi Arabia in the latter's biggest petrochemical venture and "Saudi Aramco's partner in the biggest export refinery" (Shammas 2000, 48).

Except for these JVs that are located in Saudi Arabia, Saudi Aramco has had considerable investments in U.S. oil companies through Saudi Aramco's International Division, founded in 1991. To understand the scope of Saudi Aramco, one needs to think of it not "just as a national oil company," to borrow from Young (2018), but "a global energy company with aims to expand its production cycle to refineries globally and vast petrochemical operations." Of particular significance are two remarkable enterprises, Star and Motiva. Star Enterprise was Saudi Aramco's first major foreign JV through which [Saudi Refining, Inc- SRI]¹⁸ partnered with Texaco in 1988. The focus of the enterprise was to refine, distribute, and market petroleum in 26 Southern and Eastern states in the U.S. and in the district of Columbia (Shammas 2000, 48, Saudi-Texaco Joint Venture 1989). Motiva Enterprise was founded in 1998 as a JV between Shell (%35), Texaco (%32.5), and SRI (Shammas 2000). What makes it a very special case is that it later became fully owned by Saudi Aramco. Through this acquisition, now Saudi Aramco owns the largest refinery in the U.S. in Port Arthur, Texas, and, as the largest gasoline processor in the U.S., "markets

¹¹ As the Saudis' Sovereign Wealth Fund (SWF).

¹² In order to defend its market, Saudi Arabia has tapped into its historic ties with the U.S., downstream integration, strategic marketing relationships and competitive pricing (Kemp 2016).

¹³ Here are some activities that are far more lucrative for both sides and have created a tremendous amount of wealth for them: "energy research and technology development; oil and gas exploration and production; the construction and operation of fuel storage tanks and marine terminals; reservoir and onshore as well as offshore drilling platform maintenance, pipelines, pumping stations, refineries, shipping, marketing, and management and operations" (Anthony 1999, 2).

¹⁴ Saudi Aramco bought Shell's share for \$631 million in September 2019 (Shell).

¹⁵ The General Petroleum and Mineral Organization

¹⁶ It was merged into Saudi Aramco in 1993.

¹⁷ Saudi Arabia Basic Industries.

¹⁸ U.S. unit of Saudi Aramco.

gasoline, diesel and other refined products in 26 states and the District of Columbia under the Shell brand as well as through unbranded wholesalers” (Kemp 2016).¹⁹

In addition to the state-owned oil company, there are several private Saudi businesses that have built up an impressive overseas presence. The one which is active in the U.S. is Nimir Petroleum Co. LTD (NPC) that is linked to Saudi Royal Family whose activities range from the upstream end to oil refining and distribution (Shammas 2000, 50). All things considered, we can safely say that even if the U.S. is less dependent on Saudi oil, the energy links between the two countries are profound enough to keep them into each other’s orbit. As Young (2018) correctly points out “It might not be Saudi oil that is fueling Americans’ cars, but the downstream revenue is going to Saudi Arabia.”

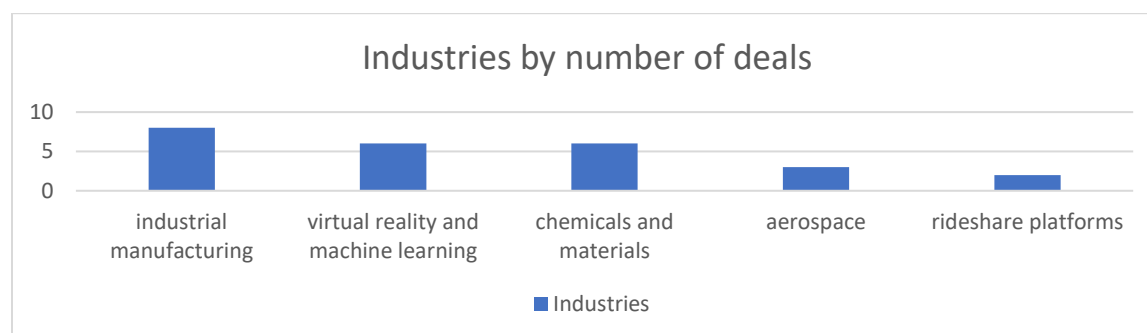
Defense contracts: U.S. arms sales to Saudi Arabia is no longer bound to its “energy security” as some argue (Stokes and Raphael 2010) and cannot be considered only as a function of U.S. energy dependency. The records of military sales during the past decade, indicate that weapons exports means more to U.S. corporate profits than they do to the Saudis as the biggest customer of the U.S. weapons producers (Ivanova 2018). According to Stockholm International Peace Research Institute (SIPRI), during this period, the U.S. top defense contractors have received permission to sell roughly \$140 billion worth of military equipment and service to Saudi Arabia (Layne 2018). Data show that these defense contracts contribute a great deal to corporate profits and for jobs in key Congressional districts which provide further political support for ongoing arms sales.²⁰ This is captured in a 2016 Deloitte study (Deloitte 2016) that introduces the U.S. Aerospace & Defense (A&D) sector as one the key taxpayers and employers in the U.S. economy. Based on the data from 2014, this sector has employed, directly and indirectly, 4.1 million workers (640,000 employees in the top 20); paid roughly \$116 billion in wages (to those directly employed) and about \$54.3 billion in taxes. The economic benefit of military sales is even far more vital to districts whose regional and local economies are disproportionately dependent on the production of weapons as the foremost driver of jobs and employment (Thorpe 2014).

The “Arms Transfer Initiative” policy put forth by the National Security Council is a recent policy measure that highlights the economic underpinnings of security policies. This policy weakens the traditional linkage between weapons sales and alliance with the U.S. as it cuts regulations and waiting time in tandem with weapons sales, all in exchange for the promise of economic growth (Yglesias 2019, Ivanova 2018). As Tina Kaidanow, a State Department diplomat pointed out, the policy is explicitly meant to “expand opportunities for American industry [and] create American jobs” (Ivanova 2018). This policy is a vivid manifestation that U.S. foreign policy is increasingly linking arms sales to the profits of defense corporations (Yglesias 2019).

¹⁹ According to Shell’s announcement in May 2017, Saudi Aramco “assumes full ownership of the Motiva Enterprises LLC name and legal entity, including the refinery at Port Arthur, Texas and 24 distribution terminals. Additionally, Motiva has the right to exclusively sell Shell-branded gasoline and diesel in Georgia, North Carolina, South Carolina, Virginia, Maryland and Washington, D.C., as well as the eastern half of Texas and the majority of Florida.” (Shell 2017).

²⁰ Although economists believe that federal spending on health care, education, and infrastructure can be more economically effective in terms of creating jobs and opportunities than that on defense spending (Garrett-Peltier 2017).

Saudi Arabia's Investment in U.S. Companies and Financial Markets: Saudis have long been interested in investment in U.S. technology and financial markets. The figure below shows Saudi Arabia's investment in U.S. companies 2008-2018:



Source: (Coren 2018)

Saudi investors are now the single largest source of capital for U.S. startup companies. Since 2016, Saudi's Sovereign Wealth Funds has flowed roughly \$60 billion in U.S. Silicon Valley directly or indirectly (through financing half of SoftBank Corp's \$100 billion Vision Fund), investing in companies like Lucid, Sisco Systems, Lyft, Uber, WeWork, Slack, and Magic Leap (Brown and Bensinger 2018, CFR 2018, Layne 2018). Table below shows the top investment rounds by Saudi investors:

Company	Sector	Investment round (millions USD)	Saudi investor
Uber	Rideshare platform	\$11,321	PIF
Lyft	Rideshare platform	\$4,915	Kingdom Holding
Magic Leap	Augmented reality	\$1,888	PIF
Lucid Motors	Car manufacturer	\$1,131	PIF
Virgin Galactic	Aerospace	\$280	PIF
Desktop Metal	Industrial manufacturing	\$273	Saudi Aramco Energy Venture
Beamreach Solar	Energy	\$239	Riyadh Valley Company
Snap	Social media network	\$250	Prince Alwaleed Bin Talal of Saudi Arabia
Siluria Technologies	Oil and gas	\$151	Saudi Aramco Energy Venture
Digital Signal	Facial recognition technology	\$125	Technology Control Corporation
Rive Technology	Oil and gas	\$85	Saudi Aramco Energy Venture

Source: (Coren 2018)

According to Securities and Commission filing in May 2020, the Saudis' Sovereign Wealth Fund investment in U.S. stock market quadrupled in value and reached nearly \$10 billion (Mohamed 2020). The investment portfolio contains a variety of companies' shares ranging from Citigroup and Bank of America to Boeing and Shell (Jones and Said 2020). There is also a tangible pivot in the Fund's strategy to invest in social media (Tweeter, Snap, and Facebook) as well as entertainment industry (Disney and Hollywood)²¹ which may have more pronounced political implications (Young 2018). It must be noted that the Sovereign Wealth Fund is not the only source of Saudis' money flooding the U.S. markets. Private investors have their own high stakes in these companies. Prince Alwaleed Bin Talal, among others, has had great stakes in companies like Tweeter, Lyft, Snap, Citigroup, etc. (CFR 2018, Manjoo 2017). Olayan Group of Saudi Arabia (in private sector), is another Saudi giant which has invested mostly in U.S. financial institutions. CS First Boston, Transamerica (5.3%), First Chicago (6.8%) and J.P. Morgan (1%), Merrill Lynch

²¹ Production firms like William Morris Endeavor Entertainment LLC.

(\$6.6 billion) and also companies like Thermo Electron (5%) and Occidental Petroleum (4%) are among few businesses this group has invested in.²²

U.S. banks financial and non-financial sectors and Saudi Arabia's transformation: Saudi-U.S. financial ties are not just limited to Saudi investments in the U.S. The Saudi Prince's decision to open up the country to foreign investors as a necessary step to diversify away from oil exportation has created another grid of financial ties between the two countries. Especially since 2015, American firms, banks, financial institutions, consultancies²³ and private investors have made large commitments to Saudi Arabia and invested a significant amount of energy to win access to the liberalization and privatization plans in the country. Firms like Goldman Sachs, JPMorgan, Morgan Stanley, Citigroup, Blackrock, to name a few, registered to attend the Vision 2030 conference in Riyadh and set themselves up for huge profits stemming from investments and deals following the Prince's decision to transform the country's economy (Young 2018, Horowitz and Egan 2018).²⁴

Bin Salman's transformative strategy manifested in Vision 2030, which includes building a futuristic emission-free mega-city known as NEOM and new refinery and petrochemical sites like Jazan, is an extremely expensive undertaking, and at the same time, a beneficial opening for the dominant actors in global capital markets which converge on Wall Street. To finance its transformation, Saudi Arabia has been on a "spending spree" over the past five years. For 2018, Saudi Arabia added up \$90 billion in capital expenditure to its normal budget (Young 2018). The declining oil revenues of 2016 led Saudi Arabia to borrow over \$60 billion in international debt markets, particularly from U.S. banks which have had a significant role in facilitating Saudi Arabia's dollar-dominated bond sales amounting to \$52 billion since 2016. As an illustration, in only one contribution a consortium of banks including Goldman Sachs, Citigroup, and JPMorgan lent Saudis' Sovereign Wealth Fund \$11 billion in September 2016 (Horowitz and Egan 2018). This and other such examples indicate that Wall Street is a significant component in financing Saudi Arabia's attempted economic transformation.

In addition to borrowing, Prince Bin Salman has counted on a public offering of 5 percent of Saudi Aramco as a foundational component of his Vision 2030. Since the release of the blueprint for this large sell in 2016, American banks have been increasingly involved in the processes of valuation and preparation of deals for the sales to public investors across the world. JPMorgan, Morgan Stanley, HSBC, Moelis (a boutique investment bank) and later Bank of America are among the banks that expect a boon by making profit off of this public sale (Layne 2018, Horowitz and Egan 2018).

The footprint of U.S. banks' profit making is even noticeable in Saudis' partnership with American companies. For instance, Blackstone has managed a \$20 billion fund that Saudi Arabia has injected into U.S. infrastructure. Even after the tech companies and startups bear fruit and "go public," it

²² For more on Olayan Group's investments see (Shepherd Jr. 1987, Bartlett 1991, Dealbook 2008)

²³ They have a key role in transforming Saudi Arabia. There is an influx of giant consultant companies like McKinsey, Boston Consulting Group (BCG), A.T. Kearney, Strategy&, and Oliver Wyman to this country. See (Consultancy.uk 2016)

²⁴ As they had already made over \$300 million by advising Saudis on debt deals and mergers (Horowitz and Egan 2018).

is U.S. banks who “expect to cash in on underwriting fees.” That is why it seems as if “[everything] is all about Wall Street looking for opportunities” (Horowitz and Egan 2018).

At the same time that the U.S. financial sector is financing the attempted industrial restructuring of Saudi Arabia, the U.S. non-financial sector is reaping profits from the industrial implications of Vision 2030-led transformation. For instance, on May 2017 General Electric announced that it signed a \$15 billion contract with Saudi Arabia that includes a \$7 billion package focusing on “the kingdom’s power, healthcare, energy and mining sectors, as well as skills training and digital analytics running on Predix, the company’s software platform for the Industrial Internet” (Kellner 2017), and a \$4 billion project that includes partnerships with Saudi Aramco and focuses on “efficiency savings by digitizing its operations” (Ibid). This contract is in addition to a \$1 billion power contract with the Saudi Electric Company that GE announced in 2015 to “supply gas, steam and solar power generation technology to the Waad Al Shamal combined cycle power plant” (Ibid).

Another example is Bechtel that has been working on the Jubail project in Eastern Province of Saudi Arabia since the mid 1970s. As the company states, it is the “biggest civil engineering project in modern times” (Bechtel n.d.). The company was asked to manage the expansion of the project to Jubail II (2006-2016) which required another \$11 billion funding totaling the cost of the project over \$20 billion. In 2016, the project was further expanded for another five years which makes Bechtel involved in a fundamental aspect of Saudi Arabia’s agenda for providing educational facilities and residential accommodation in Jubail.²⁵

The Political Implications of U.S.-Saudi Economic Ties

We have documented the influence of an integrated transnational capitalist bloc on U.S. policy toward Saudi Arabia and the Persian Gulf over the past four decades. Transnational capital has pooled its efforts in corporate-funded think-tanks that integrate the interests of U.S.-based defense, energy, and financial corporations across a wide network of growing U.S.-Saudi investment ties. It is no longer possible, if it ever was, to neatly separate the interests of a transnational investment bloc, focused on maximizing their own profits, from how the U.S. foreign policy establishment defines “strategic” interests. As we have shown, a transnational investment bloc led by defense contractors, as early as the 1970s, was instrumental in working with U.S. policymakers to identify U.S. military expansion in the Persian Gulf region as central to U.S. national security. They were joined as early as the 1980s by an emerging transnational investment coalition that included U.S. energy and financial corporations. These relationships have expanded dramatically over the decades, as an even wider range of U.S. transnational investors have committed substantial capital in Saudi Arabia as part of the restructuring of the Saudi economy. Furthermore, the substantial growth of Saudi Public Investment funds into a wide range of U.S. investments have further solidified and deepened the lobbying power of this transnational investment bloc, which operates as a two-directional lobbying network that attempts to influence a wide range of policies. Although the broader political goals of this investment bloc are beyond the scope of this paper, there is considerable evidence that this transnational investment bloc linking U.S., Saudi Arabian and GCC

²⁵ Which means the involvement of other American tech companies like Amazon, Apple, and Snap in order to contribute to building Saudis’ tech-focused cities (Layne 2018).

investors has been prominent in successfully working to scuttle the Iranian nuclear deal negotiated by the Obama administration. This bloc has also continued to lobby for increasing U.S. weapons sales to Saudi Arabia and supporting Saudi foreign policy ventures in Syria, Yemen and Bahrain.

Countering this bloc in U.S. foreign policy would require building a broad coalition that could link the concerns of human rights groups, social welfare organizations, labor unions and peace organizations in a campaign to reverse U.S. militarization abroad and at home. The fact that the U.S. Congress voted in 2019 to cut off U.S. military assistance to Saudi Arabia's war in Yemen and, in a separate vote in 2020, to block \$23 billion in arms sales to the United Arab Emirates that had been approved by President Trump, indicates that there is some momentum to challenge some aspects of status quo policy (despite President Trump's successful vetoes). Whether this momentum can continue will be largely dependent on the ability of critics of the U.S. militarization of the Persian Gulf to build a broad enough coalition to challenge the power of the well-financed and deeply entrenched transnational investment bloc. Contrary to accounts that speak of U.S. "strategic interests" without referencing how the transnational investment bloc defines those interest, our account emphasizes the profit-making motives behind those "strategic" choices. We hope this helps to advance a broader politicization about the relationship between this transnational investment bloc, U.S. militarization, and the efforts to build constructive alternative definitions of "security" and human welfare.

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