



مركز الملك فيصل للبحوث والدراسات الإسلامية
King Faisal Center for Research and Islamic Studies



The US-Saudi Economic Relationship: More than Arms and Oil

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Special Report

March, 2021 / Rajab 1442 H.



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Table of Contents

Executive Summary	6
Introduction	7
PART I: GOODS AND PEOPLE	8
<i>US Exports to Saudi Arabia</i>	<i>8</i>
<i>Saudis in the United States</i>	<i>9</i>
PART II: US BUSINESSES AND VISION 2030	13
<i>Sports and Entertainment</i>	<i>14</i>
<i>Construction and Giga-projects</i>	<i>16</i>
<i>Mining</i>	<i>18</i>
PART III: SAUDI INVESTMENTS IN THE UNITED STATES	20
<i>Holdings of US Debt</i>	<i>20</i>
<i>Saudi Direct Investment in the United States</i>	<i>21</i>
<i>Financial Markets and Venture Capital</i>	<i>23</i>
<i>Saudi Donations to US Universities</i>	<i>24</i>
Conclusion	26

Executive Summary

This paper provides an overview of the US-Saudi economic relationship, excluding oil and arms sales. It begins by describing the growth of US exports to Saudi Arabia and the influx of Saudi students to the United States, and their impact on the US economy. It goes on to discuss US businesses' investment in Saudi Arabia and their participation in new economic sectors opened by the Vision 2030 reforms. And it concludes with an examination of Saudi investments in the United States through a variety of privately and publicly owned institutions.

The paper's authors reach the conclusion that the economic relationship between the two countries is more complex than it is commonly portrayed. Though energy and security issues dominate discussion about the US-Saudi alliance, trade and investment flows between the two countries have steadily grown in size and diversity in recent years. These ties will likely grow further in the coming years given the extensive involvement of US firms in Saudi Arabia's emerging entertainment and sports sectors, as well as the construction of its mega-projects. Saudi Arabia's involvement in the United States has also grown: Its wealth has been used to purchase US debt and finance a wide range of American businesses.

Introduction

Oil and arms sales dominate public discussion of the US–Saudi alliance. The benefits for both countries in these transactions are easy to understand: The United States buys oil and gas to fuel its economy, while Saudi Arabia’s purchase of weapons systems ensures its domestic and regional security. US policymakers have also long seen Saudi Arabia as sharing their interest in a stable oil market due to the country’s extensive investments in US and European economies.

However, the ties between the United States and Saudi Arabia are vastly more complex than this story suggests. In some ways, this has been true since the Kingdom’s founding. It was an American firm, Bechtel, that built the railway linking the capital of the newly unified Kingdom with the oil-producing east in the 1940s.⁽¹⁾ And it was a subsidiary of the Coca-Cola Company that built the first desalinization plant in the Kingdom in the 1960s,⁽²⁾ paving the way for dozens more such plants to alleviate the Kingdom’s shortage of drinking water.

But over the past two decades, the two countries’ economies have become even more interlinked. Saudi Arabia has become a market for a diverse array of American goods, ranging from automobiles to airplanes to medical equipment. At the same time, it has increasingly invested its wealth in the United States, buying everything from US Treasury bonds to equity in tech start-ups. And, unlike in decades past, an astonishing number of young Saudis have developed important social and cultural ties with the United States through studying and visiting the country.

There is no denying the importance of energy and security in defining the US–Saudi relationship. However, they are far from the only ties linking the two countries. This paper will describe the many other economic and cultural linkages between the United States and Saudi Arabia, and how they impact on both countries.

(1) Ellen Wald, *Saudi Inc.* (New York, NY: Pegasus Books Ltd, 2018), 31.

(2) Toby C. Jones, *Desert Kingdom* (Cambridge, MA: Harvard University Press, 2010), 3.

PART I: GOODS AND PEOPLE

US Exports to Saudi Arabia

As Saudi Arabia has become wealthier, it has grown into a significant market for American goods. US exports to the Kingdom totaled a mere \$77 million in 1962; by the end of the first Saudi oil boom in 1982, exports had ballooned to \$7.3 billion. In 2019, the last year for which data is available, the United States exported \$23.9 billion in goods and services to Saudi Arabia.⁽³⁾ The sale of these goods supports at least 165,000 American jobs.⁽⁴⁾

Arms sales constitute a relatively small percentage of this overall trade. In 2019, for example, the United States exported \$3.1 billion of arms to Saudi Arabia, or about 13% of total exports.⁽⁵⁾

Heavy industrial sectors make up the bulk of US exports to Saudi Arabia. The top three categories of non-military goods that the United States sells to Saudi Arabia are aircraft parts, automobiles and vehicle parts, and machinery such as turbines, air conditioners, and furnaces. Together these categories make up \$6.4 billion, or roughly 45%, of the \$14.3 billion in goods exported by the United States to Saudi Arabia in 2019.

As US exports to Saudi Arabia have grown in value, they have also grown in diversity. In 2001, for example, the three categories of goods mentioned above made up nearly 60% of exports. Over the past two decades, other sectors—such as the export of agricultural products, which have grown into a \$1.4 billion business—have grown dramatically in value. The export of services has also grown from \$2.3 billion in 2005 to \$9.4 billion in 2019, driven notably by an increase in travel, and education-related and financial services.

The automotive industry is a useful case study in examining US exports to Saudi Arabia. The Ford Motor Company had a near-monopoly on the Kingdom's purchase of automobiles in the 1930s—the King's British advisor, St John Philby, originally enjoyed an exclusive license to

(3) Data on U.S. exports of goods and services to Saudi Arabia is from the UN Comtrade system: <https://comtrade.un.org/>; and the U.S. Census Bureau's International Trade database: <https://www.census.gov/foreign-trade/data/index.html>.

(4) The most recent data is from 2015: Chris Rasmussen and Susan Xu, "Jobs Supported by Export Destination 2015," *U.S. Department of Commerce, International Trade Administration*, Washington, DC, <https://www.trade.gov/sites/default/files/2020-12/Jobs%20Supported%20by%20Export%20Destination%202015.pdf>. Also see: <https://legacy.trade.gov/mas/ian/employment/index.asp>, accessed March 2, 2021.

(5) Data on U.S. arms sales to Saudi Arabia come from the Stockholm International Peace Research Institute's Arms Transfers Database: <https://www.sipri.org/databases/armstransfers>.

import the cars in the 1930s before being supplanted by the Jeddah-based Alireza family in 1940.⁽⁶⁾ Today, the Kingdom represents the fifth-largest market for US automobiles and light trucks in the world, and the largest in the Middle East.⁽⁷⁾

In 2019, the value of US exports of automobiles and automobile parts stood at \$2 billion, double the \$1 billion value from 2001. This growth has occurred even as the largest US manufacturers have lost market share: The two largest US automobile manufacturers for the Saudi market, Chevrolet and Ford, hold roughly 10% of the market combined.

Saudis in the United States

As American goods have flowed to Saudi Arabia, Saudis have flocked to the United States. Saudi citizens request and receive visas from the United States at high rates: Roughly 59,000 Saudis received business or tourism visas to the United States in 2019, and over 19,000 more received student visas. In total, over 150,000 Saudi citizens visited the United States in 2019 for business, tourism, or education—the most of any country in the Arab world.⁽⁸⁾

In terms of person-to-person ties, the single most important subset of this group are Saudis who travel to the United States to continue their education. Hundreds of thousands of Saudis have been educated in American universities and colleges over the past two decades, bringing with them tens of thousands more dependents.

The expansion of Saudi students pursuing their education in the United States has its roots in the April 25, 2005, meeting between US President George W. Bush and then Crown Prince Abdullah bin Abdelaziz. The September 11, 2001, attacks still loomed large over the relationship between the two countries, leading to a collapse in the number of Saudi students enrolled in United States educational establishments. The two leaders seized upon a scholarship program as a way to reverse this decline, and reduce American hostility toward Saudi Arabia in the wake of the attacks.

(6) Michael Field, *The Merchants* (Woodstock, NY: The Overlook Press, 1986), 36.

(7) U.S. Department of Commerce, International Trade Administration, “Automotive Market,” *Saudi Arabia - Country Commercial Guide*, last published October 13, 2019, accessed March 5, 2021, <https://www.trade.gov/knowledge-product/saudi-arabia-automotive-market>.

(8) U.S. State Department, Bureau of Consular Affairs, “Nonimmigrant Visas Issued Fiscal Year 2019,” 2019, <https://travel.state.gov/content/dam/visas/Statistics/AnnualReports/FY2019AnnualReport/FY19AnnualReport-TableXVII.pdf>.

The King Abdullah Scholarship Program (KASP), since renamed “The Custodian of the Two Holy Mosques Scholarship Program,” represents one of the largest programs of its kind in the world. In the 2004/2005 academic year, a mere 3,035 Saudi students were enrolled in US universities, making Saudi Arabia the 36th largest place of origin for international students in the United States. At the peak of the program in the 2015/2016 academic year, the number of Saudi students had skyrocketed to 61,287, making Saudi Arabia the third largest place of origin for international students in the United States.⁽⁹⁾ These figures do not include the thousands of family members who accompanied Saudi students to the United States.

Over the last two decades, Saudi students have enrolled in more than 500,000 academic years’ worth of education in the United States. In 2019, these students injected \$1.3 billion into the American economy. Since the surge of scholarship opportunities in 2005, Saudi students have contributed almost \$14 billion to the American economy.⁽¹⁰⁾

Saudi enrollment in US universities has declined from its peak, but still remains substantial. In the 2019/2020 academic year, 30,957 Saudis pursued their education in the United States, making the Kingdom the fourth largest place of origin for international students in the United States. Of that number, 16,839 studied for an undergraduate degree, 8,362 were enrolled in a graduate program, and the remaining 5,762 were studying in a non-degree or practical training program.

For the US–Saudi relationship, however, the value of this effort cannot be expressed in purely economic terms. As the Saudi leadership likely intended, the expansion of scholarship opportunities created a reservoir of young Saudis with deep personal connections to the United States and familiarity with American culture and values. In conversations for this paper, American diplomats and businessmen working in Saudi Arabia highlighted these Saudis — who are now embedded throughout the Saudi government and private sector — as crucial interlocutors who have paved the way for them to successfully operate in the Kingdom.

(9) Data on Saudi students in the United States comes from the Institute of International Education’s (IIE) Open Doors report: <https://opendoorsdata.org/data/international-students/academic-level-and-places-of-origin/>.

(10) Data on Saudi students’ economic impact comes from the U.S. Department of Commerce’s Bureau of Economic Analysis: https://apps.bea.gov/iTable/iTable.cfm?reqid=62&step=7&isuri=1&tablelist=30568&thetableflexibleareas=1&product=4&filter_--5=&tablelistsecondary=30573&filter_--4=68&filter_--3=23&filter_--2=0&filter_--1=0. This data is also cited in the IIE Open Doors report.

The decline in Saudi enrollment in American universities can be partially attributed to the COVID-19 pandemic, coupled with more restrictive immigration policies from former President Donald Trump’s administration. These developments have adversely affected US universities’ ability to attract students across the globe: The enrollment of new international students has declined for each of the past four years, and the total number of foreign students studying in the United States declined in 2019 for the first time in over a decade.⁽¹¹⁾ Within Saudi Arabia, an increase in the number of public and private universities may have also contributed to the decrease in the number of Saudis studying abroad.

But the more significant factor contributing to the decline has been a reduction in Saudi scholarship opportunities. The fall in oil prices in the mid-2010s and the broader atmosphere of Saudi fiscal tightening has forced policymakers in Riyadh to impose greater eligibility requirements for applicants, often tying scholarships to employment and ability. At the height of KASP, Saudi officials estimated that roughly 90% of scholarship students were studying in the United States on a government scholarship; given these figures, it is no surprise that a decline in scholarships would have a dramatic effect on overall Saudi enrollment.

While it is difficult to imagine Saudi students’ enrollment in American universities returning to its peak in the current fiscal climate, the number still remains far above pre-2005 levels. And Saudi policymakers appear committed to maintaining as many scholarship opportunities as fiscal constraints will allow: In October, the Ministry of Education launched the “Path of Excellence” scholarship program, which is designed to increase Saudis’ opportunities to pursue their education in 32 specialized fields, ranging from business administration to philosophy to national security.⁽¹²⁾

The financial ties linking the United States and Saudi Arabia go both ways: Just as American companies sell goods to the Kingdom, the Saudi government and private enterprises have invested massive amounts of wealth in the United States. The people-to-people linkages, however, are

(11) Elizabeth Redden, “Number of Enrolled International Students Drops,” *Inside Higher ED*, November 18, 2019, <https://www.insidehighered.com/admissions/article/2019/11/18/international-enrollments-declined-undergraduate-graduate-and>.

(12) Ministry of Education, “Scholarships,” accessed March 2, 2021, <https://www.moe.gov.sa/en/education/highereducation/Pages/Scholarship.aspx>.

still mostly a one-way street. Though a huge number of Saudis have visited or studied in the United States, a comparatively small group of Americans have traveled to Saudi Arabia. An estimated 80,000 Americans live in or visit Saudi Arabia every year—roughly half the number of Saudi visitors to the United States, from a country with ten times the population size.

As Saudi officials have sought to attract increased foreign investment in line with the Vision 2030 goals, they have made a concerted pitch to US officials and businessmen and women that aims to remedy Americans' comparative unfamiliarity with the Kingdom. American businesses' investments in a diverse array of sectors that have been opened by recent Saudi reforms is the subject of Part 2 of this paper.

PART II: US BUSINESSES AND VISION 2030

Saudi officials describe the present moment as an opportunity for international firms to break new ground in an untapped market. They point out that Saudi Arabia boasts a young population with substantial disposable income, and is opening many new sectors for the first time with billions of dollars in government support. While certain large American firms have had a decades-long relationship with Saudi Arabia—Bechtel and Boeing, for example—other businesses have been unable to operate in Saudi Arabia until the recent economic liberalization. “Saudi Arabia is changing at an unprecedented pace,” reads a presentation by the Saudi Ministry of Investment, resulting in sweeping changes to a “once private nation.”⁽¹³⁾

The Saudi Ministry of Investment has also stepped up its efforts to attract foreign investment. In 2020, it began deploying staff across the globe to actively promote the Kingdom as a business destination. It now has offices in the United States, the United Kingdom, Germany, Russia, France, Singapore, South Korea, Japan, and China. It has targeted several specific areas for growth, classifying the fields of education, financial services, and housing as “emerging sectors.”

American businesses have played a major role in this economic opening. In 2019, Saudi Arabia issued over 1,100 new investment licenses to foreign companies, a 54% increase over the prior year. Of that number, the US companies claimed 82 licenses, the fourth highest number in the world.⁽¹⁴⁾ The ten largest US investments in Saudi Arabia have a combined paid-in capital of over \$56 billion.⁽¹⁵⁾

The US cumulative level of investment in Saudi Arabia reached \$10.8 billion in 2019, according to data from the Department of Commerce’s Bureau of Economic Analysis (BEA). That represents a 45% increase from 2010 and a nearly 200% increase from 2000, when US direct investment was \$3.7 billion.⁽¹⁶⁾

(13) Invest Saudi, “Saudi Arabia Is Welcoming Investments,” January 2021, <https://www.investsaudi.sa>.

(14) Invest Saudi, “Investment Highlights - Winter 2020,” *Investment Highlights*, accessed March 7, 2021, <https://investsaudi.sa/en/news/a-special-report-by-invest-saudi-winter-2020/>.

(15) Data provided by the Saudi Ministry of Investment. This figure does not represent US direct investment in the Kingdom, as a share of the capital is provided by the US firms’ Saudi partner in their joint ventures.

(16) U.S. Department of Commerce, Bureau of Economic Analysis, “Saudi Arabia - International Trade and Investment Country Facts,” *U.S. International Trade in Goods and Services*, accessed March 7, 2021, <https://apps.bea.gov/international/factsheet/factsheet.cfm?Area=511&UUIID=47f6cbee-13a4-455a-86bf-5a615a94100f>.

The BEA data often raises as many questions as it answers. The statistics for many sectors are suppressed due to confidentiality requirements, making it difficult to develop a clear understanding of the nature of US investments. In some sectors, the US investment position is actually negative—a result of the BEA’s methodology, which calculates direct investment as the historical cost of assets plus net financial transactions and other changes in valuation. Finally, the BEA classifies \$7.9 billion of the \$10.8 billion US investment stock in 2019 as being invested in non-bank holding companies, a term that could refer to investments in a variety of industries. The other two largest sectors for US investment according to BEA data are wholesale trade (\$903 million) and mining (\$844 million).

Sports and Entertainment

The role of US firms in expanding Saudi Arabia’s arts, entertainment, and tourism industries is perhaps the most publicly visible aspect of American involvement in the Kingdom’s economic liberalization. The government has budgeted \$64 billion to expand these sectors over the next decade.

There is no comprehensive list of every American company that has participated in the Kingdom’s entertainment and athletic sectors. However, it is possible to glean information from many of the key projects from publicly available reporting. Conversations with Saudi policymakers at the General Entertainment Authority (GEA) and Ministry of Sport have also shed light on how these partnerships function, and what both Saudi Arabia and the US businesses gain from them.

In both cases, Saudi officials see partnerships with US firms as a way to attract attention to large events, stoke domestic interest in burgeoning sectors, and build the capacity of local partners. In the case of the GEA, which was founded in the summer of 2016, American entertainers have helped raise the international and domestic profile of a sector that did not exist a few years ago. It has recently witnessed a dramatic expansion, as the Kingdom held more than 5,000 live events in 2018, resulting in the creation of roughly 500 new entertainment companies. In 2019, the GEA launched “seasons” across the country’s different regions and cities: The signature event, Riyadh Season, attracted 10.3 million visitors and brought in over \$270 million in revenue.⁽¹⁷⁾

(17) “Over \$270 Million Generated during Riyadh Season,” *Arab News*, December 19, 2019, <https://www.arabnews.com/node/1601041/saudi-arabia>.

American entertainment options are participating heavily in this effort. The American acts present during Riyadh Season include: Broadway shows *The Wizard of Oz* and *Peter Pan*, musical acts like Imagine Dragons and Steve Aoki, and entertainment events sponsored by Marvel Entertainment, World Wrestling Entertainment (WWE), and Monster Jam. The sponsors of Riyadh Season include corporations such as Pepsi, Mastercard, Visa, Dunkin', Lay's Potato Chips, and McDonald's.

Of course, Riyadh Season represents just a small fraction of American companies' involvement in the Kingdom's entertainment sector. AMC Theatres opened the first licensed cinema in Saudi Arabia in April 2018 and currently has a five-year plan to build a total of 40 cinemas across the Kingdom. In September 2020, Netflix signed a five-year partnership with the Saudi animation studio Myrkott to produce films and shows for the streaming service.⁽¹⁸⁾ And perhaps most notably, Six Flags is building a 79-acre theme park in the Qiddiya entertainment megaproject that is scheduled to open in 2023. It will be the largest Six Flags park in the world and, according to Qiddiya CEO Michael Reininger, also represents the largest investment made in a Six Flags park anywhere in the globe.⁽¹⁹⁾

The Ministry of Sport has used partnerships with international firms to host "mega-events" designed to increase local interest in various sports. For example, when bringing in motor racing events like Formula E and the Rally Dakar, it has given a prominent role to the Saudi Motorsport Federation—a strategy aimed at nurturing Saudi talent in the sport. Six Saudi teams competed in this year's Rally Dakar, only qualifying after competing in several events organized by the local federation. In this way, the tentpole international event served to support a series of local contests involving exclusively Saudi talent.

Meanwhile, several mega-events have brought in American athletes and companies. In 2019, the Ministry of Sport brought in heavyweight boxers Anthony Joshua and Andy Ruiz Jr for the "Clash of the Dunes" in Diriyah. In 2021, the Kingdom will also host its first Formula One race,

(18) Invest Saudi, "Investment Highlights - Fall 2020," *Investment Highlights*, accessed March 7, 2021, <https://misa.gov.sa/media/1352/invest-saudi-investment-highlights-fall-2020-english-digital.pdf>.

(19) Noor Nugali, "Largest Six Flags Theme Park in the World to Open in Qiddiya," *Arab News*, August 27, 2019, <https://www.arabnews.com/node/1545711/saudi-arabia>.

a motor racing championship owned by US firm Liberty Media. The race, known as the Saudi Arabia Grand Prix, will reportedly be held for the first two years in Jeddah, then for the next eight years in Qiddiya. The contract reportedly provides Formula One with roughly \$65 million per year for hosting the race.⁽²⁰⁾

US involvement in the Saudi sports and entertainment industry is not just limited to events. The Leaders Development Institute, the education arm of the Ministry of Sport, has launched programs with American universities such as Harvard University and Georgetown University to educate Saudi sports professionals. The GEA, meanwhile, is increasingly trying to leverage its relationships to convince international companies to establish a presence in the Kingdom to train a new generation of Saudi entertainers.

As the examples above should make clear, not every involvement of a US firm is an “investment” in Saudi Arabia. The money often flows in the opposite direction—the Saudi government pays these firms for holding events in the Kingdom. Both the GEA and the Ministry of Sport see themselves as primarily regulators of their sectors, licensing firms to participate, monitoring standards and cultural appropriateness, and managing local Saudi federations and clubs. At the same time, they are also playing a dual role: Due to the fact that these sectors are new, officials for both organizations said, they have needed to cooperate directly with international firms to bring in events that spark interest in their sectors.

Construction and Giga-projects

Before the COVID-19 pandemic, the Saudi construction sector was in the midst of a boom that had not been seen since the price of oil exceeded \$100 per barrel. In 2019, Saudi Arabia awarded contracts worth \$52.6 billion, almost double the amount from the previous year.⁽²¹⁾ This increase was driven by the government’s commitment to fulfill its Vision Realization Programs, leading to a boost in spending on sectors ranging from housing to entertainment to oil and gas development.

(20) Steven Impey, “Formula One Includes Saudi Arabia GP on Provisional 2021 Calendar,” *SportsPro*, October 29, 2020, <https://www.sportspromedia.com/news/fl-saudi-arabia-grand-prix-jeddah-provisional-2021-calendar>.

(21) U.S.-Saudi Arabian Business Council, “Fourth Quarter of 2019 Review of Construction Contract Awards in Saudi Arabia,” *The USSBC Contract Awards Index (CAI)*, 2020, <https://ussaudi.org/wp-content/uploads/2020/03/USSBC-Contract-Awards-Index-Q4-2019-Full-Report.pdf>.

The United States has been deeply involved in developing Saudi infrastructure since the Kingdom's founding. This has only accelerated in the present day: Today, US firms are fulfilling contracts to develop projects in Saudi Arabia worth more than \$700 billion. The American engineering firms that have received the most business in Saudi Arabia are Jacobs Engineering Group, Fluor Corporation, and KBR Inc., which have completed or are working on over 500 projects. These three firms are currently working on projects with a total contract value of \$225 billion.⁽²²⁾

The pandemic has predictably resulted in a slowdown in the rapid growth of the Saudi construction sector. While data is currently only available for the first three quarters of 2020, an estimated \$16.9 billion in contracts was awarded during that period.⁽²³⁾ Saudi budgetary cutbacks on capital expenditures and infrastructure spending has driven the decline, as the government sought to pare back deficits through fiscal measures. There is reason to believe, however, that spending will rebound quickly in the post-pandemic era: Crown Prince Mohammed bin Salman said in November that the Kingdom's sovereign wealth fund will inject \$40 billion annually into the domestic economy in 2021 and 2022, and subsequently announced dramatic plans to expand Riyadh in January's Future Investment Initiative, suggesting a continued high level of government support for infrastructure spending.

In recent years, the Kingdom's giga-projects have sustained the construction sector; Neom, Qiddiya, the Red Sea Development Project, and the Amaala project are the most notable examples of this. The Red Sea Development Company announced in December that it had awarded more than 500 contracts worth nearly \$4 billion.⁽²⁴⁾ Qiddiya has awarded over \$500 million in contracts, and its CEO has suggested that it plans to award \$2 billion more in the near future.⁽²⁵⁾ Amaala has awarded over 100 contracts, with a total value of over \$1 billion.⁽²⁶⁾ And

(22) This data is gathered from MEED Projects, which maintains a database of contracts awarded in the construction sector across the GCC. It is important to emphasize that the dollar figures cited above represent the total value of the contracts, not the amount received by US firms, <https://www.meedprojects.com/sectors/construction-projects-overview/>.

(23) This data is drawn from the US-Saudi Business Council Contract Awards Index for the first three quarters of 2020.

(24) Rawan Radwan, "Red Sea Project Set to Secure New Financing, Launch off-Plan Sales: CEO," *Arab News*, February 11, 2021, <https://www.arabnews.com/node/1807561/business-economy>.

(25) "Qiddiya Awards Contracts in Excess of SAR 2 Billion to Saudi Owned Companies," *Qiddiya*, November 26, 2020, <https://qiddiya.com/en/media/press-office/qiddiya-awards-contracts-in-excess-of-sar-2-billion-to-saudi-owned-companies/>.

(26) "Amaala Awards 100 Contracts Worth SAR 4.1 Bln, Says CEO," *Argaam*, February 15, 2021, <https://www.argaam.com/en/article/articledetail/id/1443652>.

while there is no publicly available data on Neom’s total contract commitments so far, the entire megacity will reportedly be financed by an investment of over \$500 billion.

US companies have won some of the major contracts for the development of these giga-projects. As already mentioned, Six Flags is playing a leading role in the development of Qiddiya. Meanwhile, the construction giant Bechtel has been awarded a contract to develop Neom: In August, it won a contract to develop the mega-city’s primary infrastructure, which will include a “highly advanced transport system.”⁽²⁷⁾

Another American company, Air Product & Chemicals Inc., is part of a \$5 billion joint venture in Neom that will develop the world’s largest green hydrogen facility—in fact, if it reaches its stated goals, it will be more than 80 times bigger than its nearest competitor.⁽²⁸⁾ Eight American architecture, engineering, and design firms have consulted on projects that are part of the Red Sea Development Project: The most significant contribution is perhaps being played by Aecom, which won the contract to oversee the supervision of the project’s airport. The firm also won a contract to provide infrastructure support in Neom.

Many of the companies that are playing prominent roles in these giga-projects were similarly prominent players in the mega-projects of past years. Aecom, for example, has been involved in over 100 projects in Saudi Arabia, including developing Dammam’s King Khalid Medical City and the master plan for Jeddah’s stormwater network. Bechtel played a key role in developing Jubail Industrial City, as well as Riyadh’s King Khalid Airport.

Mining

While the mining sector is not in the public eye in the same way as the entertainment sector or the giga-projects, it has seen considerable expansion in recent years. The Kingdom’s National Industrial Development and Logistics Plan, one of the 13 Vision Realization Programs announced as of the Vision 2030 agenda, has laid out plans to expand the industry.

(27) “NEOM selects U.S. construction leader Bechtel to accelerate primary infrastructure development for its Cognitive Cities,” *Bechtel Corporation*, September 10, 2020, <https://www.bechtel.com/newsroom/releases/2020/08/neom-selects-bechtel-infrastructure-development/>.

(28) Christopher Matthews and Katherine Blunt, “Green Hydrogen Plant in Saudi Desert Aims to Amp Up Clean Power,” *The Wall Street Journal*, February 8, 2021, <https://www.wsj.com/articles/green-hydrogen-plant-in-saudi-desert-aims-to-amp-up-clean-power-11612807226>.

The mining sector has been a particular area of interest for American firms, which have partnered with the Saudi company Ma'aden on a variety of projects. These joint ventures represent some of the largest projects in which US firms are involved in Saudi Arabia—of the top ten largest US–Saudi joint ventures in terms of paid-in capital, three of them are in the mining industry.⁽²⁹⁾

One of the earliest entrants into this market was the American industrial firm Alcoa, which, in December 2009, launched a \$10.8 billion joint venture with Ma'aden to develop an aluminum complex at a bauxite mine near the city of Buraydah, and the port city of Ras Al Khair.⁽³⁰⁾ Ma'aden owns 75% of the venture, and Alcoa owns the remaining 25%; while the American firm divested itself of a portion of the venture in summer 2019, it still maintains a stake in two of the three companies that make up this project. The carrying value of Alcoa's assets in the venture stood at \$603 million at the end of 2019, according to the firm's annual report filed with the US Securities and Exchange Commission.

In 2013, the mining firm The Mosaic Company established an \$8 billion joint venture for a complex to extract phosphate and develop it into fertilizer products. Ma'aden owns 60% of this venture, SABIC owns 15%, and Mosaic owns the remaining 25%. The facility produces 3.5 million tons of phosphate-based fertilizers and other products per year.⁽³¹⁾

Finally, in 2019 the American chemical company Tronox Limited acquired the titanium dioxide business of Cristal, a Jeddah-based firm, for \$1.7 billion.⁽³²⁾ With the purchase, the American firm became the world's second-largest producer of titanium dioxide, operating nine plants boasting sales of more than \$2.5 billion. Tronox also acquired a 90% stake in a titanium slag smelter facility in Jazan for \$36 million.⁽³³⁾

(29) Data provided by the Saudi Ministry of Investment.

(30) Invest Saudi, "Investment Highlights - Summer 2020," *Investment Highlights*, accessed March 7, 2021, <https://investsaudi.sa/en/news/investment-highlight-summer-2020/>.

(31) Investment Highlights - Summer 2020.

(32) "Tronox to Acquire Titanium Dioxide Business of Cristal," *Reuters*, February 17, 2017, <https://www.reuters.com/article/us-tronox-ltd-titanium-dioxide-idUSKBN1601JB>.

(33) "Tronox Enters Option Agreement to Acquire Majority of Advanced Metal Industries Co. Jazan Slagger Operations," *Tronox*, May 9, 2018, <https://www.tronox.com/tronox-enters-option-agreement-to-acquire-majority-of-advanced-metal-industries-co-jazan-slagger-operations/>.

PART III: SAUDI INVESTMENTS IN THE UNITED STATES

Holdings of US Debt

Just as US investments flow into Saudi Arabia, the Kingdom's wealth flows into the United States. Ever since oil revenues began filling Saudi coffers, officials in the Kingdom have seen the United States as a safe and profitable home for their assets.

One of the primary ways that Saudi Arabia invests in the United States is by buying American debt. As of December 2020, Saudi Arabia held \$134.4 billion in US Treasury securities, making it the fourteenth largest holder of US debt in the world, and easily the largest in the Middle East.⁽³⁴⁾

Saudi holdings declined almost \$50 billion over the course of 2020, after standing at \$183 billion at the beginning of the year. Taking a longer view, however, Saudi Arabia's purchases of US debt have increased dramatically in recent years. Saudi holdings roughly doubled over the past 10 years, standing at \$67 billion in December 2010. Going back further, they have increased by over 500% since December 2005 (\$22.1 billion) and over 1000% since December 2000 (\$11.7 billion).⁽³⁵⁾

Data on Saudi debt holdings have only recently been released to the public. In 2016, the Treasury Department began reporting Saudi Arabia's debt holdings for the first time—before then, the Kingdom had been lumped together with other countries in a category called “oil exporting nations,” making it impossible to determine its individual holdings.

When Saudi Arabia first started purchasing US government debt in 1974, it had recently spearheaded an oil embargo targeting the United States and other nations that supported Israel in the 1973 war. Riyadh saw the benefits of purchasing US Treasury securities, but also wanted to avoid criticism from its Arab rivals for its close ties to Washington, and preempt American criticism of the executive branch for its dealings with Riyadh. It thus required that its purchases

(34) U.S. Department of the Treasury, Federal Reserve Board, “Major Foreign Holders Of Treasury Securities,” February 16, 2021, accessed March 7, 2021, <https://ticdata.treasury.gov/Publish/mfh.txt>.

(35) U.S. Department of the Treasury, Federal Reserve Board, Holdings by Twelve Foreign Oil Exporters of U.S. Treasury Securities - December 1974 to March 2016,” May 16, 2016, accessed March 7, 2021, https://ticdata.treasury.gov/Publish/oilexp_hist_to2016mar.txt.

of American debt remain “strictly secret.”⁽³⁶⁾ The Treasury Department kept up its end of the bargain, keeping such a tight hold over the information that it once even complained to the CIA that it was showing too much transparency about Saudi holdings.⁽³⁷⁾

Saudi Direct Investment in the United States

Saudi enterprises have also established affiliates in the United States. Saudi direct investment in the United States peaked in 2017 at \$14.9 billion, and stood at \$13.2 billion in 2019. An estimated 8,500 American workers were employed by US affiliates of Saudi-owned firms in 2018, the last year for which data is available.⁽³⁸⁾

These figures do not represent a comprehensive view of Saudi investment in the United States. While the Commerce Department requires US firms to complete confidential annual and quarterly surveys that it uses to produce its foreign direct investment figures, the Saudi government does not publish any equivalent data about the activities of its firms. In the United States, the formation of limited liability companies also allows business owners—including Saudi businessmen—to effectively hide their identity from public view.

There is extensive publicly available data about the investments of Saudi Aramco, which released information about its holdings ahead of its 2019 initial public offering. The company boasts one of Saudi Arabia’s largest investment arms and has more than seven US-based subsidiaries.

The most significant of those subsidiaries is Motiva Enterprises LLC, which owns and manages a crude oil refinery in Port Arthur, Texas. It is the largest such refinery in North America, capable of refining 635,000 barrels of crude oil per day. It employs roughly 2,700 people⁽³⁹⁾ and its total assets stood at \$13.8 billion at the end of 2018.⁽⁴⁰⁾ Initially a joint enterprise with Shell, Aramco acquired full ownership in May 2017. Since then, the Saudi oil giant has broached a \$6.6

(36) Andrea Wong, “The Untold Story Behind Saudi Arabia’s 41-Year U.S. Debt Secret,” *Bloomberg*, May 31, 2016, <https://www.bloomberg.com/news/features/2016-05-30/the-untold-story-behind-saudi-arabia-s-41-year-u-s-debt-secret>.

(37) Victor McFarland, *Oil Powers: A History of the U.S.-Saudi Alliance* (New York, NY: Columbia University Press, 2020), 188.

(38) U.S. Department of Commerce, SelectUSA, “Foreign Direct Investment (FDI): Saudi Arabia,” last updated November 2020, accessed March 5, 2021, <https://www.selectusa.gov/servlet/servlet.FileDownload?file=015t00000003DD4>.

(39) “Why Choose Us,” *Motiva Enterprises*, accessed March 3, 2021, <https://www.motiva.com/career-seekers/why-choose-us>.

(40) Saudi Aramco, “Aramco Prospectus,” 2019, <https://www.aramco.com/-/media/images/investors/saudi-aramco-prospectus-en.pdf?la=en&hash=8DE2DCD689D6E383BB8F4C393033D8964C9F5585>, 72.

billion expansion of the refinery's petrochemical output, though those plans have reportedly been delayed due to the recent industry downturn. In October 2019, Motiva acquired Flint Hills, which owns and operates a chemical plant located in Port Arthur, Texas.

Saudi Basic Industries Corporation (SABIC) also signed a multi-billion-dollar joint venture with ExxonMobil in June 2019 to build a petrochemical facility in Texas. The project is expected to create more than 600 jobs, and an independent study estimated that it will generate \$50 billion in economic output during its first six years of operation.⁽⁴¹⁾

Saudi investments in the United States go beyond the oil and gas sector. For instance, the Saudi dairy company Almarai owns 14,000 acres of farmland in Arizona and California. The company expanded its US investments after Saudi Arabia implemented strict water conservation measures to ensure that its supply chain was protected from weather and transportation issues. In 2014, Almarai completed a \$47.5 million deal to buy more than 9,800 acres in La Paz County, Arizona. It bought almost 4,000 more acres in the next two years in California's Palo Verde Valley.⁽⁴²⁾

Some Saudi family-owned conglomerates also have substantial investments in the United States. For example, the Olayan Group has an office in New York which, according to its website, oversees a portfolio that includes investments in sectors such as financial and communication companies, consumer product manufacturers, and real estate. While there is no comprehensive, publicly available accounting of the firm's assets, the group's news releases highlight some of its major purchases and sales: In 2014, it entered into a joint venture that acquired nine apartment complexes in Maryland and Virginia for a reported \$309 million, and in 2016 it partnered with a European firm to purchase a skyscraper in midtown Manhattan for \$1.3 billion, and has since announced a \$300 million renovation of the property.⁽⁴³⁾

(41) "ExxonMobil, SABIC to Proceed with Gulf Coast Growth Ventures Project," *ExxonMobil*, June 13, 2019, https://corporate.exxonmobil.com/News/Newsroom/News-releases/2019/0613_ExxonMobil-and-SABIC-to-proceed-with-Gulf-Coast-Growth-Ventures-project.

(42) Elliot Spagat and Aya Batrawy, "Why Saudi Arabia Bought 14,000 Acres of US Farm Land," *The Christian Science Monitor*, March 28, 2016, <https://www.csmonitor.com/Environment/2016/0328/Why-Saudi-Arabia-bought-14-000-acres-of-US-farm-land>.

(43) "Plans Unveiled for 550 Madison Ave.," *The Olayan Group*, October 30, 2017, <https://www.olayan.com/plans-unveiled-550-madison-ave>.

Other Saudi investors undoubtedly hold significant US investments. The family-owned Sedco Holding, for example, noted in its most recent annual report that it oversees a portfolio of international real estate assets that includes US properties.⁽⁴⁴⁾ But with few disclosure requirements established by either the United States or Saudi Arabia, no comprehensive accounting of Saudi investments exists.

Financial Markets and Venture Capital

Saudi Arabia has also helped finance a wide range of US companies. As of late 2018, it had invested at least \$11 billion in American start-ups, making it the largest single source of funding for these companies.⁽⁴⁵⁾ In 2020, Saudi investors operating through brokers licensed by the Capital Markets Authority traded American stocks worth \$86 billion, a massive increase from previous years.⁽⁴⁶⁾

The most prominent investor in US equity markets is the Kingdom's sovereign wealth fund, known as the Public Investment Fund (PIF). Its holdings are revealed through its quarterly reports to the Securities and Exchange Commission, and have shifted significantly over time. At the end of 2020, it reported holding nearly \$12.8 billion in US stocks, an increase of over 80% from the end of the third quarter 2020. Its largest American holding is Uber Technologies, in which it was an early investor, and it has seen its stock's value increase more than \$1 billion over the previous quarter.⁽⁴⁷⁾

The PIF has often invested in the same sectors that the Kingdom is hoping to develop domestically. Its recent purchases include roughly \$2.5 billion in the stocks of American video game companies Electronic Arts Inc., and Activision Blizzard, just as it seeks to develop a domestic e-gaming and e-sports industry. It has made other investments in entertainment and tourism stocks: It still holds over \$900 million in shares of the entertainment company Live

(44) SEDCO Holding, "Partners in Prosperity: Summary Annual Review 2019," accessed March 7, 2021, <https://sedco.com/wp-content/uploads/2020/04/Sedco-Summary-Review-EN19.pdf>.

(45) Eliot Brown and Greg Bensinger, "Saudi Money Flows Into Silicon Valley—and With It Qualms," *The Wall Street Journal*, October 16, 2018, <https://www.wsj.com/articles/saudi-backlash-threatens-u-s-startups-1539707574>.

(46) Capital Market Authority, "Fourth Quarter 2020," *Quarterly Statistical Bulletin*, 2020, https://cma.org.sa/en/Market/Reports/Documents/Q4_2020_EN.pdf.

(47) "Form 13F-HR Public Investment Fund Quarterly Report Filed by Institutional Managers, Holdings," *SEC Edgar Filing Tracker*, 2020, accessed March 5, 2021, <https://sec.report/Document/0001567619-21-003847/>.

Nation and over \$1 billion in Carnival Corp., the world's largest cruise line operator. Sovereign wealth funds have long sought to use the financial leverage that such purchases afford them to attract firms to invest in their domestic markets.

Saudi Arabia's earliest investments in the United States were in sectors related to the oil and gas industry. These investments still exist: Saudi Aramco Energy Ventures launched in 2012 with a \$500 million fund to invest in technologies of importance to the oil giant, and recently announced plans to create another \$500 million fund.⁽⁴⁸⁾ But the recent interventions by the PIF mark a larger shift in the Saudi investment strategy away from these heavy industries and toward the technology and entertainment sectors.

Both the Saudi government and private Saudi citizens have invested in US companies through a variety of other mechanisms. The PIF invested \$45 billion in Softbank Group's Vision Fund, which is deeply invested in American tech stocks. The Kingdom Holding Company, meanwhile, invested over \$200 million in the ridesharing company Lyft.⁽⁴⁹⁾ There is no comprehensive reporting on stock purchases made by private Saudi investors, so this figure could be considerably higher.

Saudi Donations to US Universities

In 1969, Abdulmunim Shakir, an Egyptian-born professor at Ricker College in Maine, arranged a meeting with King Faisal bin Abdulaziz. Shakir had an idea: He wanted to start a program for the study of the Muslim world at his small liberal arts college, and was hoping that the Saudi government would provide him with the funds to make it possible. King Faisal provided him with \$50,000 – roughly \$350,000 in today's dollars -- and the program ran until Ricker College closed its doors in the 1970s.⁽⁵⁰⁾

(48) Carla Sertin, "Exclusive: Saudi Aramco Energy Ventures CEO on Its New \$500mn Fund," *Oil & Gas Middle East*, May 10, 2020, <https://www.oilandgasmiddleeast.com/people/36629-exclusive-saudi-aramco-energy-ventures-ceo-in-its-new-500mn-fund>.

(49) "Kingdom Holding Approves \$225m Investment in US Ride-Hailing Firm Lyft," *Arabian Business Industries*, June 26, 2019, <https://www.arabianbusiness.com/transport/422864-kingdom-holding-approves-225m-investment-in-us-ride-hailing-firm-lyft>.

(50) Philip Harsham and Robert Azzi, "Saudi Aramco World : Arabs in America: The Transplanted Ones," *Aramco World*, March-April 1975, <https://archive.aramcoworld.com/pdf/1970/197502.pdf>.

This donation likely represented the first foreign gift granted by an Arab country to a US educational institution. Over the past half century, Saudi Arabia has massively expanded its donations to US universities as it seeks to develop partnerships with leading researchers and affect the academic conversation about the Kingdom and the broader Middle East.

Saudi Arabia has given over \$390 million in gifts to American universities since 2000, far and away the most of any country in the Middle East. It has given these gifts to 62 universities in total. The universities that have received the largest number of gifts are some of the most prominent in the United States: Harvard University has received nine gifts with a total value of \$19.5 million, Johns Hopkins University has received 45 gifts worth \$48 million, and the Massachusetts Institute of Technology has received 18 gifts worth \$94 million.⁽⁵¹⁾

If one includes contracts signed between Saudi Arabia and US universities, this figure increases dramatically. The total value of these contracts is over \$1.3 billion since 2000, much of which is Saudi scholarship support for students in the United States. The total of gifts and contracts provided by Saudi Arabia to American universities thus exceeds \$1.7 billion.

This data is drawn from the US Department of Education, which is required by the 1965 Higher Education Act to report foreign gifts and contracts over \$250,000. However, compliance with this law has long been patchy: Universities are required to self-report, and schools have reported data differently—and in some cases not at all. In 2020, the Department of Education made a renewed push to ensure compliance with the law after a report from its general counsel’s office castigated several universities for ignoring the reporting requirements.⁽⁵²⁾

However, the official data likely continues to underreport foreign gifts and contracts to American universities, including by Saudi Arabia. This is particularly evident when it comes to scholarship support for Saudi students: Given what we know about the number of Saudi students studying in the United States, the money spent by the Saudi government on their education is probably far higher than what has been reported.

(51) U.S. Department of Education, “College Foreign Gift Reporting,” accessed March 3, 2021, <https://sites.ed.gov/foreigngifts/>.

(52) U.S. Department of Education, Office of the General Counsel, “Institutional Compliance with Section 117 of the Higher Education Act of 1965,” October, 2020, <https://www2.ed.gov/policy/highered/leg/institutional-compliance-section-117.pdf>.

Conclusion

The US–Saudi economic partnership defies easy stereotype. The relationship does not just center on oil and arms, but also encompasses the sale of automobiles and medical equipment, joint ventures to develop green energy projects and build the infrastructure of the country’s new mega-cities, and financing for some of America’s most innovative companies. This business is worth many billions of dollars and supports thousands of jobs in both countries.

The economic relationship has also grown more multi-faceted with time. While US businesses have always been involved in a wide range of activities in Saudi Arabia, the goods they export and the services they provide are growing more diverse. As the Kingdom seeks to attract international firms to new sectors, this trend is likely to accelerate.

Of course, the impact of the US–Saudi relationship cannot be measured solely in dollars and cents. Saudi Arabia’s relationship with the United States has had a dramatic cultural impact on its citizens. The large number of Saudi students who have studied at American universities and the influx of American entertainment options with the launch of Vision 2030 promises to further extend the US cultural reach in the Kingdom.

At the same time, the cultural exchange is still largely a one-way street: While large numbers of Saudis have come to know the United States, a comparatively small number of Americans have any experience in the Kingdom. Saudi Arabia’s new e-visa system and the increase of tourism options in the Kingdom could eventually lead to more Americans visiting, but the coronavirus pandemic has so far made that impossible. And while the Saudi Ministry of Education is working on a plan to attract foreign universities to open branches in the Kingdom, there are virtually no opportunities at the moment for Americans hoping to study in the Kingdom.

There are also significant gaps in the data about the US–Saudi economic relationship. This is clear when it comes to US investment in Saudi Arabia but is even more stark when looking at Saudi investment in the United States. The Saudi government should consider implementing

a mandatory, confidential survey like that used by the US Department of Commerce to gain a better understanding of Saudi businesses' investments abroad. Such a step would result in greater transparency for researchers and policymakers alike, and increase our knowledge about the true scope of the US–Saudi economic relationship.

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