

CHAPTER I

INTRODUCTION

a. Research Background

Officially referred to as the Kingdom of Saudi Arabia, Saudi Arabia is the second largest country in the Arab world and the fifth largest in Asia. The kingdom of Saudi Arabia economy is highly reliant on the petroleum industry due to the country's location on the Arabian Gulf, where oil is abundant. Because of the discovery of petroleum, the country's economy has flourished to the point where it is now a major exporter as well as producer of oil. All of this growth can be attributed to the discovery of petroleum. More than 80% of the government's revenue and more than forty percent of the country's gross product are traditionally provided by oil exports (Manama, 2016). The redistribution of oil revenues with the dual goals of reviving the economy and ensuring political stability. Oil rents could be used to give relatively secure positions in the public sector or in state-owned corporations, while corporate elites could use their influence to keep low-cost financing and subsidized imports available to their businesses. Oil rents could also be used to pay for infrastructure projects. The availability of oil would make either of these outcomes practicable.

In the summer of 2014, the worst-case scenario that a great number of Saudis had feared for years became a reality. The worldwide crash in oil prices caused significant concern among government officials in Saudi Arabia. The price of a barrel of oil fell from its all-time high of \$115 in June 2014 to its all-time low of \$28 in January 2016. Both the budget of the Saudi government and the economy of the country were significantly impacted as a result of these events. The amount of money the government brought in during the year 2016 was approximately one-half of what it was during the year 2013, when it brought in more than \$320 billion (1,200 billion SAR) (Grand & Wolf, 2020).

Because of the crash of the oil price, the Saudi government launched an ambitious economic reform program in 2016, known as Saudi Vision 2030. Saudi Vision 2030 is a comprehensive plan for the country's future development, aiming to transform Saudi Arabia into a thriving, high-income economy by 2030. The vision focuses on three main themes: Vibrant Society, Thriving Economy, and Ambitious Nation (Khan, 2016). It seeks to reduce the kingdom's reliance on oil, diversify the economy, boost private sector job creation, and promote a more vibrant society with a focus on qualitative education, health, and housing facilities. The plan also includes initiatives to further empower women in various fields, such

as the workforce, and reduce the unemployment rate from 11.6% to 7% by 2030 (Khan, 2016). In the political sphere, the role of the religious police has been curtailed, women have been allowed to drive, and cinemas and theaters have been opened (Elbanna, 2023). The plan also includes a crackdown on corruption, detaining several businessmen and princes in 2017 on suspicion of corruption (Elbanna, 2023). While the plan aims to reduce oil dependence, diversify the economy, and make the private sector an engine of growth, it further pledges greater transparency and public outreach alongside more economic and social liberalization.

US influence liberalization of life in Saudi Arabia can be said played a significant role. The liberalization of Saudi Arabia has been influenced by both the policies of Crown Prince Mohammed bin Salman (MBS) and the involvement of the United States. MBS has been the main driving force behind many of the social and economic reforms in the country, implementing changes as part of his "Vision 2030" plan to modernize the Saudi economy and society (Elbanna, 2023). At the same time, the United States has played a significant role in encouraging and supporting Saudi Arabia's liberalization, the U.S. has provided diplomatic and economic support, encouraging Saudi Arabia's integration with the global economy through initiatives like the country's accession to the WTO (Rahman, 2021). While it is difficult to determine the relative importance of MBS and U.S. influence, both factors have likely played a significant role, with MBS has been the primary domestic catalyst for change, the U.S. has played a significant role in supporting influencing Saudi Arabia's liberalization process.

To further advance the goals of Saudi Vision 2030, foreign investment is being leveraged as a key component in bringing new capital, technologies, and expertise to the Kingdom. To attract foreign investment, Saudi Arabia has outlined several key actions, such as the diversification of the economy by attracting investment in non-oil sectors, the privatization of state-owned entities, the development of public-private partnerships, and the improvement of the investment environment through regulatory and legal reforms. Additionally, the Vision emphasizes infrastructure development and investment in human capital to make the country more appealing to foreign investors looking for a skilled workforce. These measures are integral to the successful implementation of Saudi Vision 2030 and the long-term economic prosperity of the Kingdom (Moshashaia, Leber, & Savage, 2018).

As a significant trading partner, the United States occupies a central role in contributing to the objectives of Saudi Vision 2030. In 2022, the United States and Saudi Arabia continued to strengthen their alliance, marked by a total trade volume of \$46.6 billion. The U.S. exported

\$21.6 billion in goods and services to Saudi Arabia. On the other side, the U.S. imported \$24.9 billion in goods and services from Saudi Arabia, leading to a trade deficit of \$3.3 billion (Office of the United States Trade Representative, n.d.). This trade relationship, although imbalanced, is only one aspect of their alliance. Both nations share strategic interests, particularly in Middle East stability and security, where the U.S. provides military support and expertise to Saudi Arabia to counter common threats. This data highlights the United States as one of Saudi Arabia's essential allies, with both economic and geopolitical dimensions to their relationship.

The Saudi Vision 2030 initiative presents a unique opportunity for the United States to strengthen its relationship with Saudi Arabia and expand its influence in the Middle East. Through strategic partnerships, the United States can play a pivotal role in promoting and enhancing its presence in the region, ultimately benefiting from its engagement in the process.

b. Research Question

In this research, the primary focus is to delve into the rationale behind the United States' significant investment in the Saudi Vision 2030 project. The following research questions will serve as guiding beacons:

1. How do the United States' economic and geopolitical interests drive its investment in Saudi Vision 2030?

In the realm of global economics and strategic partnerships, the United States' substantial engagement in the Saudi Vision 2030 project stands as a notable phenomenon. This ambitious endeavor by Saudi Arabia aims to transform its economy, diversify sectors, and foster innovation. However, the intricacies of this partnership and the motivations underlying the United States' support warrant thorough examination.

c. Theoretical Framework

Economic Interest

States strategically employ the concept of national interest as a paramount foundation upon which their foreign policy decisions and endeavors are constructed (Fordham, 1998). National interest encapsulates a comprehensive framework of aspirations and objectives that a country steadfastly places at the forefront to ensure the preservation and advancement of its welfare, security, and overall prosperity. The nature of these goals may diverge among nations, arising from a confluence of objective global circumstances and the position a state occupies within the intricate fabric of the international system. While national security policies

undoubtedly yield advantages to certain segments of society, it is plausible that others might find themselves unable to capitalize on the safeguarded investment opportunities, thereby accentuating disparities within the broader socioeconomic landscape.

Kenneth Waltz's theory of international politics emphasizes the balance of power as a central concept, asserting it as the most effective framework for understanding international relations by maintaining stability and preventing any single country from becoming dominant (Little, 2007). Motivation, a crucial aspect of international relations, shapes the actions and decisions of states and individuals, influenced by power, interests, and norms (Haberski, 2017). The dynamic interplay between interest and motivation in international relations is pivotal; interests drive the goals and desires that motivate state actions, while motivation acts as the driving force behind these actions. Understanding this interplay is essential for developing effective strategies in international relations and fostering cooperation and conflict resolution.

Based on Woods (1995), the term "economic interests" encompasses a wide spectrum of economic motivations, goals, and strategic considerations that significantly shape the behavior of states and actors in the global system. These interests are deeply rooted in a set of fundamental economic beliefs and ideas, which form the basis for a state's national economic priorities. This goes beyond the traditional rationalist explanations of state conduct, emphasizing not only "interests" but also the pivotal role of "ideas" in influencing international economic policies. The concept of economic interest has gained even greater relevance due to the forces of globalization, which have brought about an unprecedented level of interconnectedness among economies, trade, and financial systems. This has elevated economic considerations to a central position in the formulation of foreign policies, reflecting the deep interdependence between nations as they increasingly rely on one another for resources, markets, and technological advancements. The ascent of emerging economies and the ever-evolving global economic landscape further underscore the critical role of economic power as a primary driver of geopolitical influence, without diminishing the importance of other facets of national interest. This comprehensive perspective on economic interests provides a nuanced understanding of their origins, content, and the multifaceted ways in which they influence state behavior and international relations.

The US involvement in the Saudi Vision 2030 Project can be comprehended through a multitude of economic interests that underpin its rationale. These interests encompass diverse dimensions, including the pursuit of lucrative economic prospects for American enterprises in

untapped markets. Through its investment in the project, the USA endeavors to capitalize on the expansion of markets, all of which align with its overarching economic objectives.

Realism Theory

The term "realism" refers to the endeavour to convert the norms of diplomatic practise in the nineteenth century into the scientific principles of social science, which developed primarily in the United States. This is the definition of "realism." The history of realism can be summed up by the never-ending battle to bring traditional European diplomatic culture into line with the goals of US foreign policy and the scientific standards of US social science. This conflict is at the heart of realism. Following the end of World War II, this objective served as the impetus for reviving international relations (Guzzini, 2013).

One of realist assumptions that nations operate in an anarchic framework. This means that all states are sovereign, and that their political and economic acts are all directed at protecting that sovereignty. Most significantly, this implies that ensuring national security is the top priority for any government. States priorities maximizing their national security by amassing as much resources as they can so that they can construct an effective military to deter attacks from other nations. The realist political economy is built are the nation-state, the pursuit of the national interest, and an environment characterised by anarchy. Each of these three characteristics sets realism apart from other methods for analysing the politics of international economic interactions, such as liberalism and other strains of Marxism (Kirshner, 2009).

By incorporating realism theory, it can be used to analyze how the United States pursuit of its national interests shapes its relationship with Saudi Arabia. Assess the strategic considerations, geopolitical dynamics, and security interests that drive the US-Saudi relationship.

d. Hypothesis

The following hypothesis are formulated to explore the motivations behind the United States investment in the Saudi Vision 2030 project and its potential outcomes:

1. The US is investing in the Saudi Vision 2030 project to gain a foothold in the growing Middle Eastern market and expand its economic influence in the region.

The United States investment in the Saudi Vision 2030 project is driven by economic considerations, aiming to tap into the potential of the expanding Middle Eastern market. The study will analyze the economic opportunities presented by Saudi Arabia efforts to diversify

its economy, attract foreign investment, and stimulate non-oil sectors. By examining trade data, investment trends, and market projections, this hypothesis seeks to determine whether the US investment is strategically geared toward economic expansion and increased influence in the region.

2. The US is investing in the Saudi Vision 2030 project to strengthen its strategic partnership with Saudi Arabia and maintain its political influence in the region.

The United States investment in the Saudi Vision 2030 project is driven by a strategic intent to solidify its partnership with Saudi Arabia, a key player in the Middle East. The study will examine the US-Saudi relationship, the shared security concerns, and geopolitical dynamics that influence their strategic alignment. By analyzing diplomatic, economic, and military interactions, this hypothesis aims to uncover whether the US investment is primarily motivated by the desire to maintain regional influence.

e. Research Objective

This study seeks to unravel the underlying motivation of US on investing to the Saudi Vision 2030 Project.

f. Research Limitation

This research will discuss the events during 2016 – 2023 period based on the launch of the Saudi Vision 2030 Project.

g. Research Methodology

The approach that the writer will use to conduct this study is a qualitative method in which the writer conducts research that focuses on facts and reality as well as analyzed data. The research is founded on information acquired from reputable sources, including primary materials and secondary sources, such as books, periodicals, journals, newspapers, as well as online platforms such as official websites, news outlets, and other sources directly related to the subject of research. These sources have been employed to ensure the reliability and depth of data essential for the comprehensive research process.

h. Writing System

In order to attain regular and systematic research results in its completion, the writer will divide this paper into 4 chapters as follows:

- a. Chapter 1: In this chapter the writer provides an explanation of the background of the problem, the formulation of the problem, the theoretical framework used, hypotheses,

research objectives, research limitations, research methodology and ends with the writing system.

- b. Chapter 2: In this chapter the writer explain about the historical ties between USA and Saudi Arabia.
- c. Chapter 3: In this chapter the writer makes an elaborate the analysis with the aplication of the theoritical framework on analyzing the US motivation on Saudi Vision 2030 Project.
- d. Chapter 4: In this chapter the writer makes a conclusion from the explanation that has been explained in the previous chapter.