

The Petro-Dollar's Shaky Future

How the Biden Administration has Alienated One of Our Crucial Allies

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In late 1973 a deal was struck between the US and The Kingdom of Saudi Arabia that changed the future of both nations and the U.S. dollar for the next 50 years. The importance of the deal has been downplayed, and the Biden administration's near destruction of this deal has almost been outright ignored. However, I have had a front row seat to the sentiment changes I am writing about, and I recommend that the reader consider this political game a concerning matter for the long-term stability of the U.S. dollar. In summary, it appears that the Kingdom of Saudi Arabia is open for new alliances outside of the US that would have never been considered before this time.



The History

In October of 1973, the US, UK, Netherlands, Canada and Japan were the targets of an OPEC oil embargo that increased the price of oil from \$3 a barrel to \$12 a barrel in a matter of months after they chose to support the Israelis in the Yom Kippur War. In the four years prior, Nixon price ceiling policies had doubled our dependency on foreign oil and 83% of that oil came from the Middle East. To make

matters worse, in the three prior decades, US industry and consumers had become drunk on stable cheap energy, built an entire infrastructure and prosperous economy that was dependent on prices remaining low, and had firmly closed the door on any form of alternative energy options (nuclear). The sudden 4-X spike in oil prices over a 3-month period from this embargo created a real shock to the US way of life and threatened to cripple the US economy. OPEC had our attention and its un-official leader, Saudi Arabia, was in a good position to listen to proposals from the US.

In late 1973, A deal was made to end the embargo in early 1974 and pull the United States out of the Oil Crisis. Despite the US being in a tight spot, the negotiations created a deal that benefited both countries unimaginably over the following 5 decades that was described in a May 2016 Bloomberg article.

The gist of this deal can be summarized in the following two reciprocal agreements:

Agreement 1.

The Al Saud family, the ruling family of the Kingdom of Saudi Arabia, agreed to sell the US oil at a price that we could live with if we agreed to become their defender and supplier of military equipment - This helped ensure the family and the kingdom's position in the region and provided a great customer for the US military industrial complex over the next 50 years.

Agreement 2.

The Al Saud family also agreed to buy an unfathomable amount of U.S. treasuries with some of the proceeds from the annual oil purchases - This helped back the Saudi Arabian currency with dollars while providing the U.S. economy with a very healthy and regular dose of liquidity.

This two-part mutually beneficial deal allowed the US to continue to spend money and have the stability of OPEC's energy reserves behind it, while providing support for the kingdom and its ruling family. This deal has been active for multiple administrations up until this very day despite some rough waters, but as you will read, it appears to be changing.

Recent History

In 2015, a freedom of information act was filed in the 9-11 investigations that sought reparations from the Kingdom of Saudi Arabia based on the participation of some of its citizens' roles in the bringing down of the twin towers. During the following years the Obama administration maintained the position that the KSA government could not be held responsible for the action of a few of its people, and the treasury / petrol dollar deal maintained its mutually beneficial terms. The PR troubles of the deal were then inherited by the Trump administration, who quickly

realized the value of maintaining the trade relationship and worked hard at continuing to have the kingdom recognized as a pro-US ally and one of our primary supporters in the region against the backdrop of an unstable nuclear Iran. Officials from the Kingdom suggested that the US get its political house in order rather than bring the 1973 deal to light for the full scrutiny of the general public to digest; and the Trump administration saw an opportunity to ask the kingdom to be the fulcrum for a "Peace in the Middle East" deal.

In 2017, the then 32-year-old Mohammed Bin Salmon "MBS", the emerging leader of the kingdom, was in the process of both fully securing his leadership position and managing a country-wide corruption clean-up campaign. In many discussions with Saudi nationals the prince's cleanup exercise was seen as a god-sent action that put the country back on track. However, in the U.S. the press chose to cover the event from the point of view of an old-school coup playing out on live television, which served the press well and renewed U.S. / K.S.A. tensions. Despite another round of disturbances in the optics between the countries, the deal survived and continued on.

In 2018, after the "house cleaning exercise" was cooling down the young millennial prince emerged as the clear leader for the kingdom and the Trump administration vowed its support for him and the continued U.S. / Saudi alliances. The idea was to bring things back on track as quickly as possible and start working with the new normal. Unfortunately, it was later determined that someone in the young prince's afterguard was not in favor of how he was being spoken about after the house-cleaning exercise and independently took matters into their own hands to quiet down the opposition.

On October 2nd, 2018, the unfortunate result was a journalist and son of a powerful family that had been promised a diplomatic position in the pre-housecleaning KSA regime, entered into the KSA Embassy in Turkey and would never exit. As a result of the rogue actions of a staff member, the young prince became embroiled in a freedom of the press / human rights scandal with the apparent assassination of a reporter and outspoken critic of his administration. The PR situation only became worse in the US press as MBS appeared to not fully realize the crimes he was being accused of. The problem was that with each stab from the press, MBS felt as though he was being personally wronged, and with each response from the prince, the U.S. social media public gained a deeper split with the Kingdom. As the Kingdom was gaining new foreign eastward facing ties, this was quickly becoming a bigger problem for the US than it was for the Kingdom.

In late 2019, a very exposed relationship between the Kingdom and the U.S. became a campaign topic for Trump opposition. There was no shortage of Western

judgment for the Kingdom, and it became an important point for critics to associate Trump with, but the deal and its steady flow of cash that made the U.S. way of life possible was never up for discussion. This was clearly a challenging time to keep the full nature of how much the U.S. needed the kingdom under control and away from the press and the U.S. public. A win from the Arab region was needed and it was needed fast to cool down growing negative sentiments from the U.S. towards the kingdom if the deal was to remain intact.

In Q1 of 2020 the Abraham Accords campaign went into full force. With a renewed desire from both parties to refresh their relationship and get back on the "right foot" the idea of "Peace in the Middle East" was hatched as a new goal to focus on. The strategy was that such a grand goal could wipe clean the slate between the U.S. public opinion and the Kingdom of Saudi Arabia, and the two countries could find themselves looking at a new deal for new hope in the region. In short, the Abraham Accords aimed to reconcile centuries old tensions between Middle Eastern nations sharing Abrahamic religious ties. This deal had been discussed since the beginning of the Trump campaign, but its timing was needed and looked like it could possibly bring together the Arab world with Israel. For years the Arab world had not acknowledged Israel and Israel had not acknowledged Palestine. The deal was designed to slow tensions between the warring neighbors and to start to bring trade between Israel and all of the Middle East.

On August 13th, 2020, the Abraham Accords were signed and Israel was free to trade technology with the Arab world and "the greatest peace deal" of all time was signed. However, in order for this concession to be made, the KSA prince would have to show weakness on some level with the people of the Arab world because it is widely understood that the Palestinians have long suffered at the hands of the Israelis. As a fierce young leader this was not a concession that would easily be made, so the concession deal that was struck was a deal for access to restricted US defense technologies. The U.S. would have to agree to sell full capability F35's to the K.S.A. and the U.A.E. militaries, something that had never been allowed.

On January 20th 2021, president Joe Biden took office and the "catch" to the deal was discovered. In this case the catch was that the deal was signed with the Trump administration, not the Biden administration, and after the administration change, no full capability F35's would be allowed to be delivered to the K.S.A. or U.A.E. military. The Biden administration decided to not honor that part of the deal and then decided not to acknowledge MBS as the current leader of the Kingdom of Saudi Arabia. The administration then decided to double down on declaring MBS personally to be a very unpleasant person and an enemy of human rights, despite the incredible changes taking place for women's equality within his Kingdom at that very moment. As you may imagine this was not the prince's G-20 membership

welcome that he felt he was due, nor one that made much sense for what was at stake for the U.S. and its economy. Unfortunately, Biden's political posturing also watered down the goodwill of the accords and prolonged the tensions in the relationship triangle between the Kingdom, Israel and Palestine, but Biden's tone towards KSA was about to shift.

On February 24th, 2022, Russia invaded Ukraine. In the months following, Europe had to find a new energy supplier as Putin shifted Russia's supplies East and the price of all energy climbed steeply. President Biden then made a plea to OPEC to increase its supply to help ease the price of oil that the U.S. was starting to experience because of the shortage, but as you can imagine, the plea fell on deaf ears and the execution of one of the fastest full Karma circles recorded in international history took place.

On March 3rd, 2022, in an Atlantic Article, MBS suggests that President Biden should be concerned about the cares of the United States as it is not something that he himself is worried about any longer. MBS also clearly communicated that he was no longer concerned about the U.S.'s view of him or his kingdom's actions. He stated that he will still do business with the US as well as many other countries, but that the US should probably pay more attention to their own country than to his. The article also mentions that MBS felt snubbed by the U.S. for assuming he was responsible for the death of the reporter and that that Biden refused to acknowledge his position as leader of the Kingdom of Saudi Arabia. In the clear text of this article, it can be read just how much damage had been done by the president to the relationship between the two countries in the 14-months since he took office.

On March 15th, 2022, The Wall Street Journal announced in a headline, "Saudi Arabia Considers Accepting Yuan Instead of Dollars for Chinese Oil Sales", which proved that MBS was remaining true to his statements that he was exploring trade relationships outside of the US and the petro-dollar. The article explains that there are many difficulties in a move like this but that some of these difficulties can be mitigated and will likely be considered. This act seemed to suggest that the Kingdom was actually willing to make moves away from the petro-dollar deal and that the Biden administration's political posturing had consequences beyond the OPEC request being denied.

On May 31st, 2022, the U.S. had imposed the final SWIFT sanctions on Russia and opened the door for Russia to negotiate oil deals with China – Also Not In Dollars. Had this been done at any time before the sanctions were initiated, this act would have been considered an act of aggression to the United States and a possible act of war against the United States of America and the "Petro-Dollar". However, in this

instance it became a basic chess move in response to the weaponization of the SWIFT system and the sanctions placed against Russia, a move that the US encouraged and opened the door for. As business dealings appeared to be moving more East, this weaponization of the SWIFT system forced the hands of OPEC members to also consider the possibility that the timing of a dollar exit may not be here, but an alternative may be wise to consider, and the news outlets started to report that many other countries were feeling the same.

In July of 2022 the Arab news media started to cover stories of talks of the Kingdom moving into the BRICS alliance (Brazil, Russia, India, China and South Africa). In May of 2023 the story had progressed to a Bloomberg article with the title, "The BRICS Bank Wants New Members as Saudi Arabia Looks to Join". Besides Saudi Arabia, it was also reported that eight other OPEC member nations have been reported to have applied for membership to the BRICS alliance, including: Algeria, Angola, Congo, Gabon, Nigeria, Iran, United Arab Emirates and Venezuela. When you include the existing BRICS countries, the OPEC countries that have applied and other oil producing countries that have applied to the BRICS alliance (such as Iraq, Kazakhstan, Mexico, Indonesia and Argentina) the list includes 19 of the top 25 oil producing countries in the world. These countries also represent up to 78% of the world's oil reserves and possibly 36% of the global GDP, at a time when the US GDP only represents 25% of the Global GDP. I don't suffer from the idea that these vastly different cultures will suddenly be able to get along and sing in harmony, but it should be understood that the US led weaponization of the SWIFT system clearly signaled something to these countries. That message intended, or not, might have been that the US is willing to default on their promise to accept dollars your country holds in reserve for trade if they do not like your politics. If that was the understood message, you can see how this may be very upsetting to countries who hold large sums of dollars in reserve.

On August 9th 2023 it was reported by the Wall Street Journal that the Biden administration had finally switched on to the gravity of the situation and was now working to repair relations with the kingdom, and that they had started trying to negotiate around the very topics that have been covered in this article. Ironically, 31-Months after the Abraham accords deal was damaged by the current administration; the administration is now trying to use this very deal as a vehicle to repair US KSA relations and move forward. On the cover of this updating of the Abraham Accords, it is being actioned to bring Palestine and Israel to more peaceful terms. However, the meat of this deal for the US may have more to do with Saudi Arabia's growing Eastern relationships, possibly with the BRICS, and assurances that KSA will not include Chinese military bases within the kingdom or the pricing of Oil outside of the dollar. The Kingdom has clearly stated that they are not ready to fully agree to a deal with the US at this time, but that if they move forward, they

will be requesting additional security guarantees and access to civilian nuclear technologies. The US has always refused sharing US nuclear technology with the region, but the Kingdom understands their current leverage with Biden's prior actions towards the Kingdom.

On August 22, His Highness Prince Faisal bin Farhan bin Abdullah, The Kingdom's foreign minister and senior diplomat, announced that he would be attending the BRICS summit in South Africa on behalf of MBS. Now that this meeting has concluded, one can only wonder what was discussed in the hallways and side-venues...

Hopefully next time you are at the pumps you can reflect on our relationship with the Kingdom and how it has been part of a delicate balance that has helped facilitate the U.S. way of life for the last 50 years. Kings and presidents have come and gone but the support that these nations have had for each other have been part of the fabric that have made the existence and growth of both nations possible. However, it is under these very different times that these arrangements are changing, and these changes are not small changes. Many of you will read this and think that the U.S. needs to make itself more independent, and I would agree with you that there is great value in that; we just need to carefully consider the timing, the price of those actions, how this will shift the political landscape and where this will leave the US dollar.

What to do in the meantime?

In no way am I writing to say good or bad things about the United States or the Kingdom of Saudi Arabia, I am writing to say that part of the bedrock that the US dollar has been built on over the last 50 years may be changing. I suggest that readers keep a keen eye on the headlines that involve OPEC and Eastern powers, as subtle headlines buried far off the front page may be the headlines that harken the news of a new trajectory for the dollar over the coming decade. As discussed in the last article, the US dollar has other pillars underneath it, but it's always a good idea to keep an eye on the bridge footings.

Note: If you have found any of this interesting please do share it with someone else for discussion and if you like the idea of energy independence you may enjoy the Nuclear Now documentary.

Thank you!

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