

If such action depreciated the value of the US dollar, the value of the Saudis' accumulated holdings still in US dollars would decline. Due to the magnitude and structure of their US dollar holdings and the more limited investment opportunities in other currencies, Saudi Arabia would still have large dollar assets, even after a major shift attempt.

Before using its petromoney to secure political goals, Saudi officials would also evaluate the possibility of retaliation and the effectiveness of using money as a weapon. The Saudis would face the possibility that: (1) the US government would freeze Saudi asset holdings in the United States, and (2) in the future banks would be unwilling to pay competitive interest rates on Saudi deposits. The Saudis also realize that the effectiveness of the petromoney weapon is limited by the integration of the international financial system. Funds shifted from one country or currency to another may flow back to that country or currency through the international financial system if need (and hence rate of return) is greatest there. In a similar manner, a large share of OPEC investment of petrodollars in the developed countries flowed

through the international financial market to the
less developed countries because of their need
to finance large oil-induced trade deficits.

omitted

denied

In the United States, as elsewhere, the Saudis refuse to acquire controlling interests in companies or to invest in real estate; possible capital losses make these investments unattractive to the financially conservative Saudi government.

denied

Investment by private Saudi individuals and corporations may be more destabilizing than official Saudi investment, because individual investors may be more willing to undertake risky or speculative investments than the government. Even though private Saudi investment may be more volatile than official investment, it is even less likely that the investment decisions of private Saudi citizens give appreciable weight to political leverage.

Annex: Distribution of Official
Foreign Assets Holdings

(Million US \$)

	<u>Year-end</u>			
	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>
Total Holdings	21710	39230	50240	63580
Gold/SDRs/IMF Position	620	500	530	620
Bank Deposits	11670	16740	20920	19850
Short-Term	6940	10170	11640	8590
Long-Term	4730	6570	9280	11260
Government Securities	4210	10540	15540	19520
Short-Term	1010	2840	2400	1220
Long-Term	3200	7700	13140	18300
Non-Reserve Assets	5210	11450	13250	23590
Corporate Securities	730	2210	3260	4580
Other	4480	9240	9990	19010

Foreign Assets Holdings

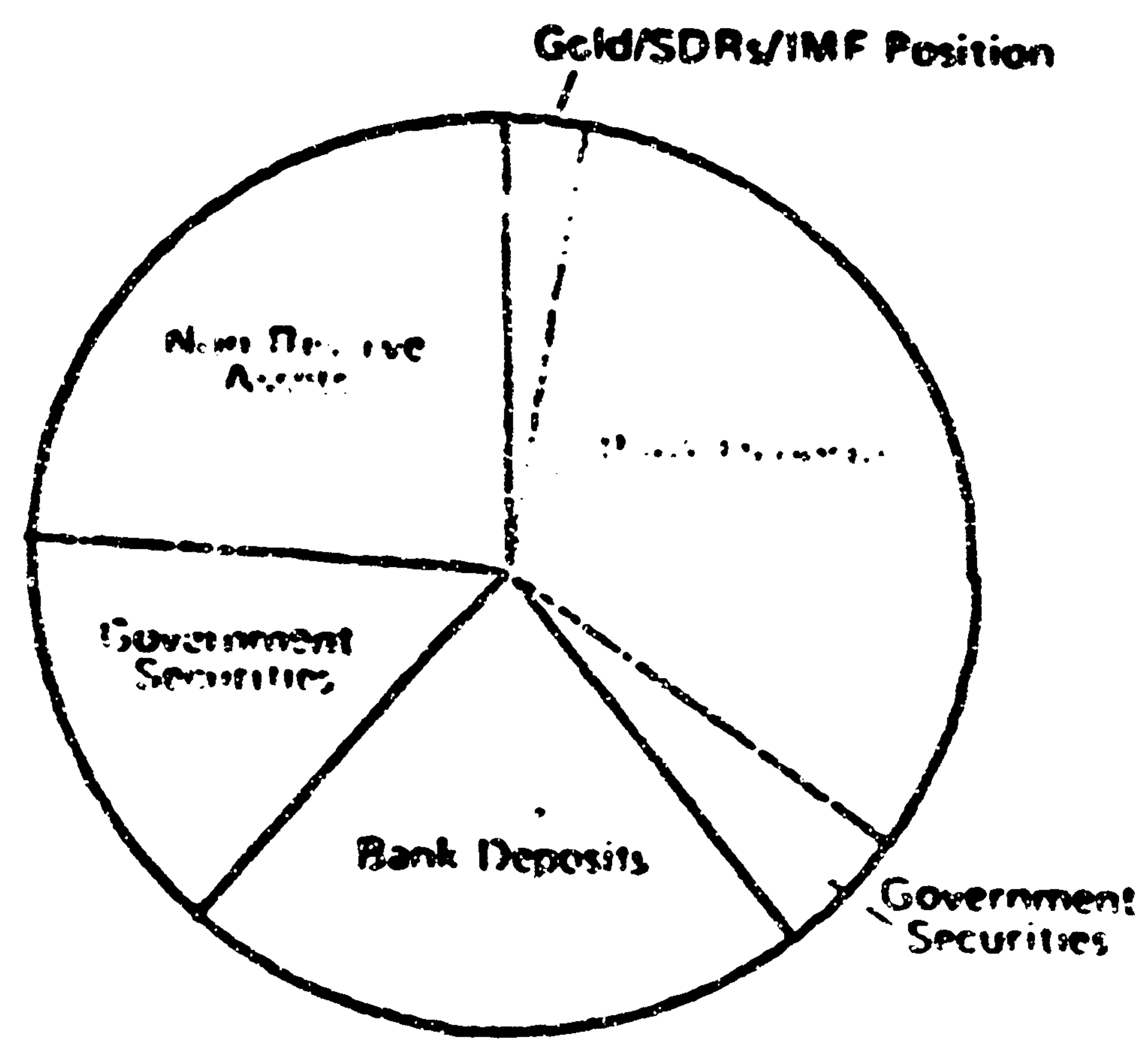
(Million US \$)

	<u>Year-end</u>			
	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>
Total Holdings	21710	39230	50240	63560
United States	3210	10160	15510	19740
United Kingdom				
US Dollars	6140	8160	11280	11660
Sterling	1940	1500	1030	1030
Other Currencies	460	1240	970	900
Continental Europe/Japan/Canada				
US Dollars	5300	6870	8450	8600
Other Currencies	1080	2550	3390	4270
International Monetary Fund	730	1840	2560	2630
World Bank	630	1040	1330	1410
Other Countries	310	2230	3520	5640
Unlocated Holdings	1910	3640	2200	7700

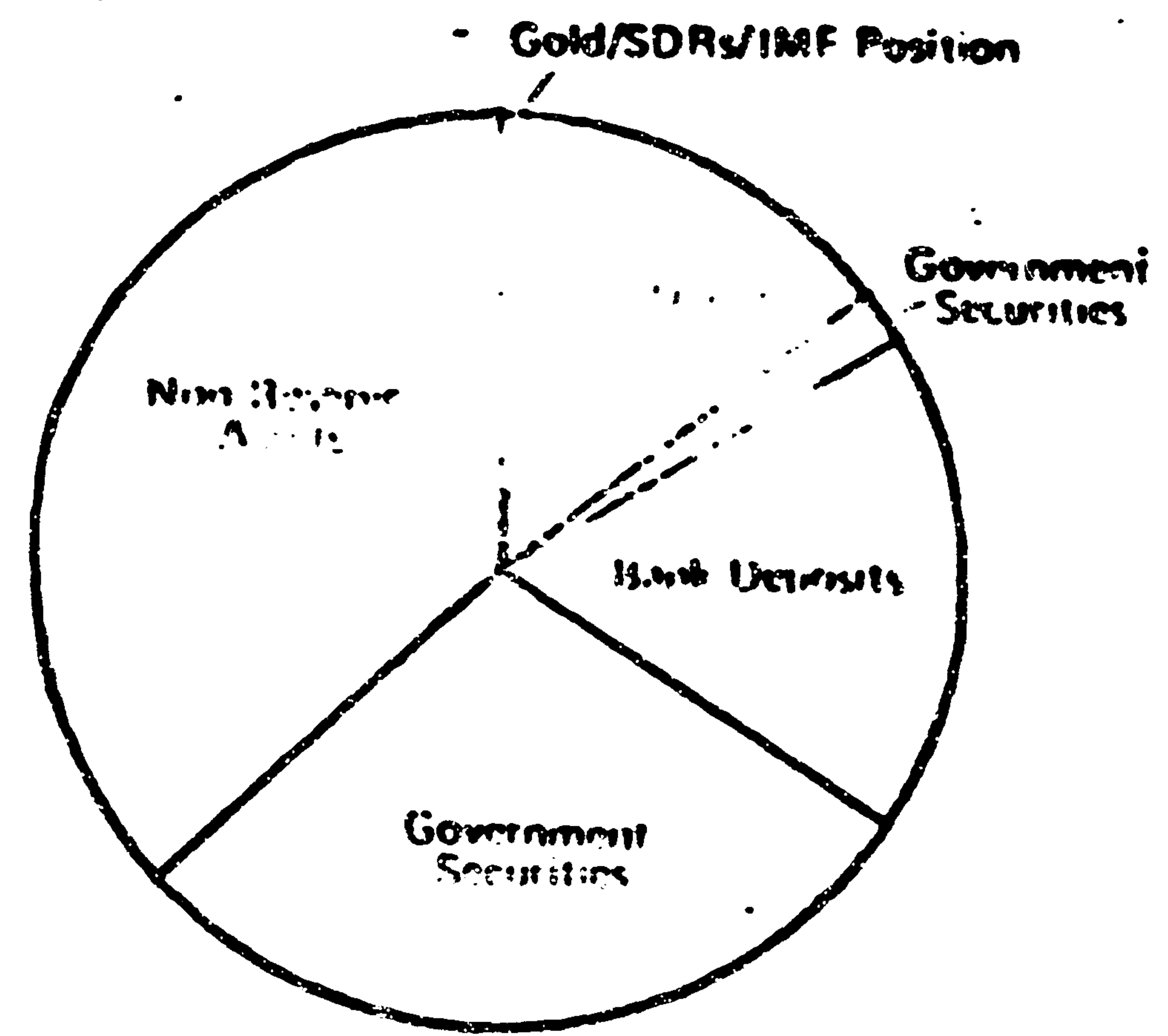
SAUDI ARABIA
Saudi Arabia : Maturity Structure of Foreign Official Asset Holdings

Short Term

Long Term



1974
 Yearend



1977
 Yearend

1974
 1977

Saudi Arabia : Foreign Official Investment

Billion US \$

