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Saudi Arabia's 'Vision 2030' and Trump's Second Term

Between Diverging Interests and Business Relations

Stephan Roll and Antonia Thies

Saudi Arabia has mixed expectations ahead of Donald Trump's imminent second presidency. On the one hand, the royal family maintains close business relations with the president-elect and his entourage, which could lead to privileged access to the White House. On the other hand, Trump's Middle East policy, his confrontational stance towards China and his plans to increase domestic oil production could all jeopardise the kingdom's ongoing transformation under its ambitious "Vision 2030" development agenda. This presents opportunities for Germany and its European partners to step up cooperation with the kingdom, not least in order to advance their own strategic interests vis-à-vis Washington.

Saudi Arabia is currently undergoing a comprehensive transformation. "Vision 2030", a development agenda initiated by Crown Prince Muhammad Bin Salman and financed largely by the Saudi Public Investment Fund (PIF), aims to diversify the country's economy and reduce its dependence on oil. The key measures include the promotion of the private sector, the construction of futuristic cities and the development of natural resources besides oil. However, problems are now starting to emerge: the inflow of private direct investment has been far below government targets; and because of the tight public finances, it was necessary to make significant cuts to important projects in 2024. Thus, the further implementation of "Vision 2030" is all the more dependent on the sustainable stabilisation of the region, the associated improvement in the investment climate and a high level of government revenues. And it is precisely the establishment of these prerequisites that Donald Trump's second term as president could jeopardise.

Trump's Middle East policy

So far, it is unclear how the new US administration intends to deal with the conflicts in the Middle East and whether it will contribute to stabilising the region. Given the hardliners in Trump's inner circle, it is conceivable that Washington will adopt a much more confrontational stance towards Iran. Indeed, the president-elect took what was already a tougher line with Tehran

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during his first term in office by revoking the nuclear agreement. Initially, this policy complemented the interests of Saudi Arabia, which was keen to weaken its large neighbour. However, after Iran's allies had carried out a drone and missile attack on Saudi oil facilities in mid-September 2019, Riyadh changed course. The attack clearly demonstrated the kingdom's vulnerability, not least because the United States as protecting power refrained from a direct military response. Since then, Saudi Arabia has pursued good relations with Iran, which it sees as key to regional stability. For their part, Trump's advisors are increasingly calling for military strikes against Iran's nuclear programme.

Trump's plans with regard to the Israeli-Palestinian conflict could similarly run counter to Saudi interests. Riyadh is urging that the prospect of a two-state solution be clearly established, while Trump remains conspicuously reticent on this issue. His close relations with the government of Prime Minister Benjamin Netanyahu, who has repeatedly spoken out against a Palestinian state, could further complicate efforts to find a sustainable solution to the conflict.

Confrontation between Washington and Beijing

Meanwhile, Trump's announcement of a more confrontational US-China policy could pose another challenge to "Vision 2030". Economic relations with the People's Republic have become much more significant for the implementation of the Saudi development plan in recent years. Since 2010, China has gradually replaced the US as the largest importer of Saudi crude oil, making it the kingdom's most important trading partner. Reciprocal direct investments are intended to promote technology transfer and contribute to the diversification of the Saudi economy. At the same time, the two countries are cooperating in areas such as mineral resources (SWP Comment 52/2024) and renewable energies (SWP-Aktuell 63/2024). Riyadh thus finds itself performing a balancing act between Beijing, an increasingly important economic partner, and Washington, virtually its sole security guarantor.

Should Trump try to pressure Saudi Arabia to loosen or even abandon its economic ties with Beijing, Riyadh would face considerable difficulties. For instance, the kingdom's plan to develop generative AI as part of its "Vision 2030" programme depends to some extent on both Chinese hardware and US semiconductors and expertise. Amid growing concerns about the intensifying relations between China and the Gulf States, the US government imposed export sanctions back in 2023. After the Emirati AI company G42 had been targeted by the US judiciary, Saudi Arabia was forced to scale back its cooperation with China in 2024. And the same year the PIF-controlled technology company Alat announced possible divestments in order not to jeopardise existing US partnerships. Under Trump, there could be even greater pressure for additional divestments.

Expansive US oil policy

Trump's plans for an expansive oil and gas production policy could be yet another burden on the implementation of "Vision 2030". Although a carbon-based energy policy is fundamentally in line with Saudi Arabia's interests — as its obstructionist stance at the 2024 World Climate Conference convincingly demonstrated (SWP Comment 65/2024) — increased oil production in the US could depress prices on the international oil market. That, in turn, would put pressure on the Saudi budget, which continues to heavily depend on oil revenues, making it even more difficult to finance Saudi development plans. It remains to be seen whether Trump's "Drill, baby, drill" statement was simply election campaign rhetoric or a serious expression of intent. In the current market conditions of overcapacity and weak demand, energy companies have little incentive to invest in expanding production. However, even if Trump were to abandon his plans to pursue an expansive oil production policy, he is likely to be interested in a price corridor that guarantees low prices for US consumers, but not so low as to jeopardise the US fracking industry.

Such a development would also be challenging for Saudi Arabia. The current oil price is well below the threshold of US$96.20 per barrel that Riyadh needs in order to break even fiscally. In recent years, attempts to influence price trends and the allocation of production quotas among oil producers initially via the Saudi-dominated Organisation of the Petroleum Exporting Countries (OPEC) and later via its expanded format OPEC+, which includes Russia, have been fraught with tensions owing to diverging interests. Under Trump, such efforts could be even more prone to failure if they run counter to US interests. Back in 2018, he urged Riyadh to increase its oil production in order to lower prices. When a price war broke out between Saudi Arabia and Russia in 2020 (SWP-Aktuell 20/2020), Trump intervened once again to stop the price from collapsing and thereby threatening the existence of the US shale oil industry.

Reinsurance for Riyadh: PIF's business relations with Trump and his entourage

The fact that, in the face of all the uncertainties, the Saudi leadership has remained demonstratively confident following Trump's re-election is probably due not least to the close business ties it maintains with him and his entourage. Just how close these relationships are became evident shortly after Trump's electoral victory when Yasir Al-Rumayyan, a close confidant of Crown Prince Muhammed Bin Salman and the governor of the PIF, met Trump in New York.

The PIF cultivates both direct and indirect business relations with the Trump Organisation, the president-elect's holding company, which benefits from Saudi construction projects and income from the PIF-financed LIV Golf tour. However, it is the business ties with Trump's son-in-law Jared Kushner that are particularly close. During Trump's first term in office, Kushner was considered one of Saudi Arabia's most important advocates in the White House, especially after the murder of Saudi dissident Jamal Khashoggi. Following his father-in-law's departure from the White House, the PIF transferred US$2 billion to Kushner's private investment company — despite concerns within the PIF about his private equity management experience.

Elon Musk — now arguably the most influential person in Trump's circle — maintains business relationships with the Saudi sovereign wealth fund, too, although these have not always been conflict-free. In 2018, when the PIF acquired shares in Tesla, Musk's asserted that the PIF would support him in taking Tesla private, something that Yasir Al-Rumayyan denied. The two sides even went to court over the matter. Thereafter, the PIF sold its stake and invested billions of US dollars in rival company Lucid. But the fund continued to be linked to Musk's entrepreneurial activities, primarily through its shares in the Saudi business conglomerate Kingdom Holding. Indeed, Musk's AI startup xAI was able to generate significant capital increases thanks to Saudi participation. Moreover, Musk's appearance at the PIF's annual investor conference in October 2024 was a signal for observers that relations between the two sides have become closer once again.

Outlook and implications for Germany and the EU

Thanks to its business ties, Saudi Arabia is likely to have comparatively easy access to Donald Trump. The connection to Elon Musk, in particular, could be advantageous for the kingdom, as the tech entrepreneur maintains close business relations with China and is likely to aim to at preventing an escalation of the conflict between Washington and Beijing. And Musk's surprise meeting with the Iranian ambassador to the UN, at which the two men reportedly discussed possible ways to de-escalate tensions in the Middle East, was probably very much in Riyadh's interests.

Nevertheless, the kingdom is faced with the prospect that the policies of the new US administration will make it more difficult to realise "Vision 2030" in the coming years. In addition, Trump's repeated references during the election campaign to Saudi Arabia's dependence on the US for its security may have been perceived by Riyadh as a threat. The Saudi leadership is therefore unlikely to rely exclusively on its business relationships with Trump and his entourage but will endeavour to gain new allies that support its stance vis-à-vis Washington. It is striking that Riyadh is currently refraining from further strengthening its ties not only with China but also with Russia, as is evident in its reluctance to date to join the BRICS group of states. Germany and its European partners should take more note of this than they have done so far. And as part of the alignment of their overall interests with those of the kingdom, they should sound out both the potential for and the limits of intensifying cooperation.

Saudi Arabia remains Europe's key partner in the region in the conflict over Iran's nuclear programme. The same applies to other regional challenges, such as the Israeli-Palestinian conflict: like the Saudis, the Europeans are committed to a two-state solution. Indeed, there are considerable overlaps in the interests of the two sides here vis-à-vis the new US administration.

However, the situation with regard to China is more complex. Just like Saudi Arabia, as outlined in its "Vision 2030", the Europeans are striving for stable and good economic relations with the People's Republic and have no interest in a potential trade war. But they should nonetheless support the US approach towards the transfer of modern technologies when the intent is to prevent the outflow of sensitive or defence-related technologies to China and the circumvention of existing sanctions.

Finally, Europe should use what may well be the diverging interests of Riyadh and Washington over the oil price in order to pursue its own strategic goal more vigorously: the weakening of Russia on international energy markets. The timing seems favourable, as Saudi Arabia is increasingly frustrated about its diminishing dominance within OPEC+. Given today's comparatively low world market prices and fixed production quotas, Riyadh is likely to be far less inclined to take into account the interests of other oil-exporting states — particularly Russia, as the second-largest exporter after Saudi Arabia. Thus, in coordination with Washington, the Europeans could examine ways to impose further restrictions on Russian oil exports through additional sanctions. A moderate increase in the Saudi production quota would offset any price increase as a result of reducing supplies.

Dr Stephan Roll is a Senior Fellow in the Africa and Middle East Research Division,
Antonia Thies is a Doctoral Researcher at Friedrich-Alexander-Universität Erlangen-Nürnberg.

SWP
Stiftung Wissenschaft und Politik
German Institute for International and Security Affairs

Ludwigkirchplatz 3 — 4
10719 Berlin
Telephone +49 30 880 07-0
Fax +49 30 880 07-100
www.swp-berlin.org
swp@swp-berlin.org

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