

The Strategic Importance of the Future U.S.-Saudi Special Relationship and Its Implications

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In his first full-fledged overseas tour since the inauguration of his second administration, U.S. President Donald Trump made a three-country visit to the Middle East from May 13. Over the four days, he visited Saudi Arabia, Qatar, and the United Arab Emirates, cutting reportedly \$3.2 trillion worth of deals for investment in the United States and other business transactions. Trump and the three Middle Eastern countries' leaders also discussed U.S. companies' business expansion into the Middle East, defense cooperation, and other topics, announcing numerous agreements. Saudi Arabia was the first country for Trump to visit in his full-scale overseas tour, as was the case with his first administration, indicating that the country is given special importance in Trump's foreign policy.

During his visit to Saudi Arabia on May 13, President Trump demonstrated his close relationship with Saudi Arabia's Crown Prince Muhammad bin Salman, known as Trump's sworn ally in their respective countries and the rest of the world. Saudi Arabia's \$600 billion investment in the United States, including in the area of artificial intelligence and data centers, was announced. Reportedly, the investment also includes the purchase of \$142 billion worth of U.S.-made weapons. The weapons deal is expected to bring about economic effects of massive arms sales for the United States and the enhancement of military capabilities through the introduction of advanced U.S. weapons for Saudi Arabia.

President Trump's visit to Saudi Arabia and the other two countries was accompanied by the heads of major U.S. technology companies, such as Amazon, OpenAI, Uber, and NVIDIA, who participated in investment forums and other events. They demonstrated the acceleration of Saudi Arabia's investment in the United States and purchase of U.S. goods, as well as U.S. companies' business expansion into Saudi Arabia. U.S. companies' increased participation and investment in Saudi Arabia will be extremely important for the promotion of the Vision 2030 national strategy led by Crown Prince Muhammad bin Salman for fundamental economic reform in the oil kingdom. Trump's visit to Saudi Arabia demonstrated the direction in which the strategic partnership between the United States and Saudi Arabia will be strengthened on the basis of the honeymoon relationship between President Trump and Crown Prince Muhammad bin Salman.

In an attention-attracting development before President Trump's visit to the Middle East, the OPEC-plus group of oil-producing countries in early May decided to increase crude oil production, leading to a decline in crude oil prices. Behind the decision might have been the intention of Saudi Arabia, which leads the group. It is speculated that the group and Saudi Arabia, which had earlier made efforts to support crude oil prices through production cuts, dared to make the decision to increase production even amid concerns about a global economic slowdown due to the Trump tariff issue in an attempt to provide a shock therapy to restore discipline for the group's coordinated production. In this respect, please refer to my essay "A Japanese Perspective on the International Energy Landscape (740)."

At the same time, however, it is also speculated that the decision was designed to send a message of help to President Trump, who wants to lower and stabilize gasoline prices from the perspective of counter inflation and domestic politics.

As argued in my essay “A Japanese Perspective on the International Energy Landscape (730),” Saudi Arabia's presence and importance in the current international energy situation are increasing significantly. Backed by the world's largest surplus crude oil production capacity, Saudi Arabia has the potential to exert significant impacts on oil prices as a supply-demand balancer in the international oil market. Now that energy price hikes have become a serious political, economic, and social problem in developed and other countries around the world, the importance of Saudi Arabia, which holds the source of power that affects energy prices, is being highlighted. As indicated by U.S. government officials' talks held with Russian and Ukrainian representatives in Saudi Arabia over the Ukraine war under the Trump 2.0 administration, the presence of the oil kingdom with close relations with leaders of major countries around the world is attracting global attention.

Looking back at the history of the international oil market, we find that the United States used to possess a huge surplus of crude oil production capacity and served as a supply-demand balancer responding to unforeseen circumstances. During World War I and II, the United States increased oil production and provided oil supplies to its allies in response to the rapidly rising demand for oil for military and other purposes. However, U.S. oil production growth was unable to keep up with increasing domestic demand growth later, forcing the United States to become a net oil importer in the 1960s. Thus, the United States lost its position as a supply-demand balancer in the international oil market and became a huge net oil importer exposed to the turbulence of the international oil market.

In place of the United States, the Organization of the Petroleum Exporting Countries and its leader, Saudi Arabia, became the oil supply-demand balancer in the international oil market through the management of surplus production capacity. As the oil supply-demand balance eased in the 1980s after the two oil crises in the 1970s, OPEC first began to balance oil supply and demand by coordinated production cuts. Later, Saudi Arabia began to balance supply and demand through its production cuts solely as a swing producer. As Saudi Arabia changed its policy to recover its market share loss in the mid-1980s, crude oil prices suffered a free fall in 1986. Since the 1980s, Saudi Arabia has taken advantage of its huge surplus oil production capacity to retain its influence on the international oil market and oil prices as a supply-demand balancer.

The United States has continued to engage in Saudi Arabia's national security. It can be seen that the United States lost its surplus oil production capacity before continuing to exert an influence on the international oil market by being closely involved in the security of Saudi Arabia, which has had a surplus capacity. The special relationship between the United States and Saudi Arabia, through oil and security, has been a fundamental element of governance related to the stability and order of the international oil market and of the overall international energy market.

In fact, the special relationship between the United States and Saudi Arabia has shown various fluctuations with the changing times. The changing position of oil as an energy source in the world as a whole has also affected the relationship. U.S. policy on the Middle East has also undergone various changes. Then, U.S. President Barack Obama's statement to the effect that the United States was no longer the world's policeman was seen by many as an indication of a change in U.S. involvement in the Middle East. The strained relations between the United States and Saudi Arabia that were seen under the Joe Biden administration may also be considered to indicate a change in the special relationship. There is no denying that the shale revolution has brought the United States back

to being self-sufficient in oil, exerting a variety of effects on the U.S.-Saudi relationship.

Under the Trump administration, however, the relationship between the United States and Saudi Arabia seems to be deepening strategically once again. President Trump's latest visit to Saudi Arabia can be seen as symbolizing the change. This deepening relationship may be largely influenced by the personal friendship between President Trump and Crown Prince Muhammad bin Salman. At the same time, however, changes in the overall international energy landscape, such as the emphasis on energy security, the growing influence of energy geopolitics, and the rising interest in the importance of fossil fuels, may be contributing to the deepening relationship. Under these circumstances, it is necessary to pay close attention to how the special relationship between the United States and Saudi Arabia, which has held the key to the international energy order, will change and to what kind of impact the changes will have.

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