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BULLETIN

Saudi Arabia’s economic policy priorities

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Saudi Arabia is vigorously pursuing the economic diversification plans set out in Vision 2030. The need to change the country’s economic model has been highlighted by recent events in the region—primarily the restriction of shipping through the Strait of Hormuz and Iranian attacks on Saudi critical infrastructure. Economic policy—from critical raw materials to nuclear energy—is now guided not by profit maximisation, but by considerations of national security.

Diversification in practice. Vision 2030, the 2016 policy document which set out the Kingdom of Saudi Arabia’s (KSA) development goals for the next fifteen years, was announced at the start of Muhammad bin Salman’s reign. It places strong emphasis on moving away from an economic model dependent on hydrocarbon exports (primarily crude oil and its derivatives). As part of this initiative, projects are being implemented to stimulate the Saudi economy in other sectors—ranging from transport and logistics, through new technologies, to natural resources (e.g. copper, nickel and rare-earth metals). One of the most important tools for implementing the Vision is the sovereign wealth fund, the Public Investment Fund (PIF). The capital accumulated by the state—including from oil export revenues—is reinvested through the PIF in development projects and financial instruments (e.g. foreign state bonds).

Seeking new opportunities. Amid ongoing regional destabilisation in the Persian Gulf and growing fiscal pressures, Saudi Arabia’s economic priorities have also shifted. These changes have been driven by mounting financing difficulties, since the implementation of the Vision remains heavily dependent on access to oil export revenues. The need for strategic change has also been highlighted by the shifting balance of power in the region. During the Iran–US war, the Islamic Republic of Iran demonstrated that it was capable of exercising effective control over the Strait of Hormuz and, with the support of its Houthi allies, even of disrupting shipping through the Bab al-Mandab Strait. Consequently, the KSA, like other states in the region, has begun to prioritise minimising its economic vulnerability to disruption of these routes—both throughout the ongoing conflict and in the long term. It will also be essential to safeguard supply chains and production lines for the most important goods—food, critical raw materials, and armaments.

Against this background, the PIF has reduced the resources allocated to the development of projects of low strategic importance and with a long return on investment horizon, such as megaprojects (e.g. ‘the Line’ city in the futuristic NEOM settlement) or those with only marketing and cultural significance (e.g. the investment in the Metropolitan Opera in New York). Conversely, there has been increased interest in projects of strategic importance, such as those in the field of rare-earth metals and new technologies—including far-reaching systems for monitoring and identifying individuals, as well as civil security. Saudi Arabia’s economic diversification is thus undergoing intensive securitisation.

Partnership and competition. Unlike other countries in the region, KSA has a relatively large territory, wealth of natural resources and large domestic workforce, giving it extensive opportunities to explore both its domestic resources and third-country investment opportunities. This paves the way for multi-faceted project implementation—for example, in the field of raw materials extraction, it is possible to carry out operations on Saudi territory, make foreign investments (such as in Pakistan), and form international partnerships.

The world’s major powers are interested in cooperating with the KSA. During a visit to the United States in November 2025, Muhammad bin Salman concluded an agreement with Donald Trump on cooperation in the critical raw materials sector, and the Department of Defence, together with the American company MP Materials and the Saudi firm Maaden, established a *joint venture* to develop a refinery for rare-earth metals mined in the KSA. In turn, in July this year, the same partners signed a cooperation agreement on the development of civil nuclear technology. At the same time, the KSA maintains close economic ties with China. According to official KSA statistics for 2024, the People's Republic of China accounted for almost 23 % of all Saudi exports (primarily fuels), whilst almost 35 % of goods imported into KSA originated from China (primarily machinery and vehicles). Furthermore, China is investing heavily in the Saudi technology and energy sectors, positioning the country as a key component of the Belt and Road Initiative. Saudi Arabia is also developing projects with technology companies from Europe and East Asia. Since 2015, the PIF has also been collaborating with its counterpart—the Russian Development Fund—on projects in the energy sector.

Saudi economic policy is also influenced by competition with its neighbours. The countries of the Peninsula—in particular the United Arab Emirates (UAE), which has similar regional ambitions—are competing for foreign investment, for example in attracting new technologies, logistics projects and tourism. Both the KSA and the UAE are attempting to extend their influence beyond the Gulf, for example in the Horn of Africa. However, whilst the UAE, due to its small territory, is heavily focused on developing overseas projects (e.g. through the port management company DP World), the KSA can draw on its own resources. Consequently, Saudi Arabia is keen to regulate the supply of oil and maintain high prices on global markets, which caused the UAE's recent withdrawal from OPEC.

Challenges and risks. The implementation of Vision 2030 is not proceeding according to plan. Areas where progress is delayed include foreign investment (in 2025, the share of foreign investment in KSA's GDP stood at 2.8 per cent, whilst the annual target was 3.4 per cent) and the share of non-hydrocarbon goods in total Saudi exports (in 2025 it stood at 22 per cent, although the target was as high as 38 per cent). Furthermore, the success of the KSA strategy remains dependent on revenue from crude oil exports, whilst the protracted Iranian-American conflict will have a negative impact on the inflow of foreign investment, making it more difficult to raise capital. In addition, high expenditure in the state sector and support for non-industrial areas—administration, public services and the promotion of the national brand—combined with a reluctance to raise public levies (particularly taxes) is straining the state's fiscal position, leaving the PIF with fewer financial resources at its disposal.

Prospects for international cooperation. As part of its economic diversification efforts, Saudi Arabia is seeking partners from a wide range of entities. Although the Kingdom's security architecture is based primarily on cooperation with the US, in the economic sphere it maintains good relations with a larger group of partners, particularly those outside the US sphere of influence. This, in turn, strengthens the network of ties linking the Kingdom with states with diverse interests. As a result, the stability and security of Saudi Arabia are becoming important to decision-makers in many parts of the world who are keen to gain access to Saudi capital.

For the European Union, Saudi Arabia's new development trajectory may present an opportunity to strengthen cooperation. The EU is seeking diverse economic partnerships to secure its own supply chains, and it also holds the technological know-how that Saudi Arabia requires to drive its transformation. To this end, formal ties should be developed, such as a strategic partnership agreement (the European Commission was given a mandate to negotiate this with the KSA in July 2025) or by initiating negotiations on a free trade agreement. This package of agreements would enable the EU to pursue its economic security objectives—access to raw materials, including non-hydrocarbon resources, and to transhipment hubs, on preferential terms. It would also allow for deeper cooperation on security matters (such as the exchange of intelligence or cybersecurity), for example, modelled on the Security and Defence Partnership Agreement between the EU and India signed in January this year. Polish businesses stand to benefit primarily from technological partnerships, as well as from increased exports of food and agricultural products to the KSA.

Closer ties will also provide an opportunity to promote the European perspective on Russian aggression against Ukraine. In any potential agreements, the EU should negotiate the inclusion of provisions on sustainable development and press for higher standards of human rights protection in the KSA, particularly with regard to the functioning of the justice system, the severity of penalties imposed and the frequency of executions.

Table

Selected projects implemented as part of the KSA diversification strategy.

Area	Selected projects	PIF entity[1]	Selected partners
Critical minerals	Establishment of an integrated supply chain and refining of rare-earth metals, production of permanent magnets	Maaden, Manara Minerals	The US Government and MP Materials (USA)
	Digitalisation of mines	Maaden	Hexagon (Sweden)
Nuclear energy	Development of the civil nuclear programme	none (probably due to the recent conclusion of the first agreements)	US Government
New technologies, AI, digitalisation, robotisation	Lenovo's technology and manufacturing centre	Alat	Lenovo (China)
	Manufacture of industrial robots	Alat	Softbank Group (Japan)
	Smart solutions for city and building monitoring	Alat	Dahua Technology (China)
	Surveillance and security system services	SAFE	Leidos (USA), Intelligent Security Systems (US), Thales (France)
	Development of AI-based management systems	Humain	Amazon Web Services (USA), AMD (USA), Nvidia (USA), Accenture (USA)
	R&D and commercialisation in the field of AI	SenseTime MEA	SenseTime Group (China)
Green energy	Reducing carbon dioxide emissions in phosphate production	Maaden	Metso (Finland), thyssenkrupp Uhde (Germany)
	Green energy production for KSA and overseas markets	Acwa	Projects including in Azerbaijan, China, Jordan and Uzbekistan; various subsidiaries, also in Poland
	Water desalination	Acwa	E.g. projects in Syria
Logistics and transport	Development of its own airlines	Riyadh Air	Saudia (including Saudia Cargo and the low-cost carrier flyadeal), National Air Services Company (flynas—a private company) (KSA)
	Development and management of the container terminal at King Abdul Aziz Port in Dammam	Saudi Global Ports Company	PSA International (Singapore)

[1] PIF establishes – either independently or as part of joint ventures – companies through which KAS's strategic objectives are achieved.

Manufacturing capacity	Development of the Saudi automotive sector	Tasuru Mobility Investments	Bahri (KSA) and MSOLOF (Germany) Stakeholdings in automotive companies
	Marine engine production	Dussur (stake in Makeen)	Saudi Aramco Development Company (KSA) Hyundai Heavy Industries (South Korea)
Tourism, urban development, pilgrimage sector	Mega urban development projects (e.g. Neom, New Murabba), tourist attractions (e.g. The Rig),	NEOM, New Murabba, The Rig, Soudah Development, Roshn Group and others	-
Food	Production and marketing of Saudi coffee	Saudi Coffee Company	Shahia Food Company, a local franchisee of, amongst others, Dunkin' Donuts (KSA) Maaden (KSA)
	Promotion of smoking cessation and the production of healthier nicotine products	Badael Company	General Entertainment Authority (KSA)
Financial services	Development of digital Islamic banking	D360 Bank	Derayah (KSA)
	SME project financing	Bidaya Finance Company	Local and regional investment firms
	Seeking investment opportunities in Russia	None (direct equity investment by PIF)	Russian Direct Investment Fund (Russia)
Property and construction	Construction and development of the financial district in Riyadh	King Abdullah Financial District Tadawul Real Estate Company	Including Henning Larsen Architects (Denmark)
	Development of financing for the purchase of residential property	Saudi Real Estate Refinancing Company	Local and regional banks