Closing the Regulatory Gap in Trump's Middle East Strategy

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Brief Analysis

The success of the administration's new approach hinges on updating U.S. government tools and structures needed to fuel its ambitions and manage the associated strategic risks.

The Trump administration's new policy approach to the Middle East, outlined in the just-released National Security Strategy **(https://www.whitehouse.gov/wp-content/uploads/2025/12/2025-National-Security-Strategy.pdf)** , effectively shifts the U.S. focus from military presence, counterterrorism, and security integration to "partnership, friendship, and investment." Saudi Crown Prince Mohammed bin Salman's November visit to Washington vividly demonstrated this shift, shaped as it was by high-level meetings, an investment forum, and a long list of agreements on expanding cooperation in these areas.

Yet implementing these agreements will require something the U.S. government currently lacks: a regulatory architecture to govern the initiatives that have now been placed at the center of cooperation with regional partners. For the new strategy to succeed, the Trump administration's statecraft must catch up to its aspirations, with a focus on modernizing U.S. export control systems, upgrading investment screening tools, and developing a transparent framework for critical minerals.

Minding the Gap Between Diplomatic Milestones and Strategic Risks

Both Washington and Riyadh regarded the crown prince's visit as highly successful given the range of major announcements it generated, including:

- a bilateral Strategic Defense Agreement, which should make it easier for U.S. defense firms to operate in the kingdom

- the formal designation of Saudi Arabia as a "Major Non-NATO Ally," which enabled approval of F-35 sales
- a drastic increase in proposed Saudi investments in the United States, from $600 billion to $1 trillion
- a critical minerals framework
- a memorandum of understanding on artificial intelligence and associated approval for selling 35,000 advanced Nvidia chips to the kingdom
- a joint declaration to expand cooperation on civil nuclear energy

While the first three announcements represent traditional areas of U.S.-Saudi cooperation, the others indicate a clear regional shift—the Trump administration now wants U.S. partnerships with Gulf states to focus on scaling up an ecosystem for emerging technologies, diversifying and stabilizing supply chains for critical minerals, and building the energy infrastructure needed to power both of those efforts. As noted above, however, a gap persists between these goals and the insufficiently modernized U.S. regulatory tools needed to reach them.

There is no question that advanced technologies will generate opportunities for economic modernization and become an increasingly central part of America's most important strategic relationships in the region. Yet these same technologies come with strategic risks—namely, greater cooperation will give partners greater access to enhanced capabilities in realms such as surveillance, internal security, military autonomy, nuclear latency, and supply-chain leverage. In addition, the proposed areas of new cooperation are globally diffused, more rapid in their evolution than military technology, and potentially more difficult to monitor. Without a modernized regulatory structure, the United States risks being caught on the back foot when strategic consequences arise that it is unequipped or unprepared to handle.

AI and Chips

One of the most important items on the U.S.-Gulf agenda is building out cooperation **(https://www.washingtoninstitute.org/policy-analysis/semiconductors-ai-and-gulf-policy-considerations-united-states)** on artificial intelligence and semiconductor technology. The Trump administration's **approval (https://www.reuters.com/business/us-authorizes-export-advanced-american-semiconductors-companies-saudi-uae-2025-11-19/)** for selling Nvidia's most advanced chips to Saudi Arabia and the United Arab Emirates (which is also due to receive 35,000 of these semiconductors) represents the most significant U.S. transfer of advanced computing technology to any foreign partner. These sales—which are important to each country's AI ambitions, including the training and deployment of AI models—are less about catapulting the Saudis and Emiratis to the global frontier of AI development than ensuring they are not excluded from it. The cutting edge of this sector remains dominated by U.S. firms, but access to high-end computing will allow Gulf countries to build out their domestic and regional AI capacity and help expand markets for American companies.

Under traditional export controls, risk is tied to where hardware is physically located. The chips sold to Saudi Arabia will likely be distributed across U.S. and Saudi data centers developed via joint ventures that blur ownership and access. Even if all the hardware were placed in U.S. facilities, the risk calculus would still need to include who can access or influence it from afar, requiring cloud-based controls and other access-centric regulation.

The most obvious concern is China or other foreign entities that do business in the Gulf potentially infiltrating technology that is key to the U.S. competitive edge in semiconductor production. President Trump's **approval (https://www.wsj.com/tech/nvidia-china-exports-h2000-chips-5943aa48?reflink=desktopwebshare_permalink)** for selling Nvidia's second most powerful chips to approved entities in China could indicate that the administration is less concerned about maintaining that edge, but the risks exist nonetheless.

Investment Access

Saudi Arabia's planned $1 trillion worth of investments in American companies over the coming decade will require more oversight as well. The current national security screening mechanism for such deals is the Committee on Foreign Investment in the United States (CFIUS), an interagency body led by the Treasury Department.

The problem is that CFIUS evaluates transaction-specific national security risks, not longer-term strategic influence or the incremental access that can accumulate as sovereign wealth funds expand across domestic sectors. The U.S. government has no mechanism to evaluate such cumulative exposure, which will become increasingly relevant as the **announced investments (https://www.washingtoninstitute.org/policy-analysis/unpacking-trumps-2025-gulf-investment-tour)** begin to materialize.

Civil Nuclear Cooperation

If managed well, cooperation in this sector can enable more efficient energy development while also ensuring that a partner's civil nuclear activities remain under the threshold of international safeguards. Although the existing U.S. legal mechanism for such cooperation—the **123 agreement (https://www.energy.gov/nnsa/123-agreements-peaceful-cooperation)** —is an important tool for upholding nonproliferation standards, it has become a slow and politically fraught process, beholden to congressional politics that can stall negotiations for years.

Yet the manner in which Washington and Riyadh concluded the civil nuclear issue during last month's visit should enable them to avoid those complications for now. While the crown prince left the door open for future scenarios in which Saudi Arabia is permitted to carry out the full nuclear fuel cycle on its territory, he also noted that it will not be cost-effective for the kingdom to conduct indigenous uranium enrichment anytime soon.

Instead, U.S. officials **committed (https://www.whitehouse.gov/fact-sheets/2025/11/fact-sheet-president-donald-j-trump-solidifies-economic-and-defense-partnership-with-the-kingdom-of-saudi-arabia/)** to negotiate a "legal foundation for a decades-long, multi-billion-dollar nuclear energy partnership" with Riyadh. This could mean many different things, such as the United States providing small modular reactors, or the two governments jointly running nuclear power plants on Saudi soil. Although the long-term commitment is to develop a nuclear energy industry inside the kingdom, the knotty issue of 123 agreements is not yet relevant at this stage—the potentially dicey questions about proliferation concerns have been deferred for now and may ultimately be obviated by the character of the Saudi nuclear industry as Riyadh and Washington work to jointly develop it over time.

Critical Minerals

Rare earths, battery minerals, and other such resources are now central to building out emerging technologies, clean energy systems, military applications, and advanced manufacturing. The United States remains dependent on rare earth imports and seeks to diversify its supply chains away from actors like China, which has **already used (https://www.nytimes.com/2025/06/03/business/rare-earth-metals-china.html)** its dominance over the minerals market to sway international trade disputes. One potential new partner is Saudi Arabia, whose economic diversification strategy includes positioning itself as a major future supplier, investor, and processor of critical minerals.

Yet the United States does not have a sufficient framework or strategy for determining whether such partners and their facilities can meet important standards related to national security, traceability (i.e., tracking a mineral's origin, ownership, and movement across each stage of the supply chain, potentially including through high-risk countries), and environmental and labor protections. It also lacks the tools for assessing the potential strategic chokepoints, logistical vulnerabilities, and political risks that come with increased foreign cooperation in this sector.

Currently, the U.S. government maintains some of these standards through the **Minerals Security Partnership, (https://2021-2025.state.gov/minerals-security-partnership/#:~:text=Minerals%20are%20essential%20to%20the,rare%20earth%20elements%2C%20and%20copper.)** but this conglomerate includes predominantly Western countries. Seeking reliable suppliers outside this grouping will require Washington to standardize its agreements with different types of actors. By building secure, diversified partnerships, the United States can ensure reliable access to materials that underpin its military capabilities, technological advantages, and industrial base. Moreover, its leverage to shape these partnerships will be highest before infrastructure is built and interdependence sets in. Yet without U.S. governance reform, these partnerships will inevitably evolve faster than oversight, which may set a risky strategic path that Washington cannot easily reverse.

Policy Recommendations

To translate its new strategic approach into its desirable outcomes, the Trump administration needs to update and expand the U.S. regulatory tools that govern cooperation on AI technology, sovereign wealth investments, critical minerals, and other relevant sectors. Although the administration tends to be White House-centric in its implementation of policy, it should empower other departments to fully realize its ambitions by taking the following steps:

- **Upgrade export controls and compute-access rules.** As discussed above, the U.S. government needs to evolve from hardware-centric regulation to access-centric regulation. In technical terms, this includes formulating and enforcing clear definitions for compute tenancy and access, standards for virtual cluster segmentation, rules on auxiliary models and toolchain transfer, and requirements for secure, auditable systems in co-developed infrastructure. The Department of Commerce should lead implementation of these measures.
- **Develop a CFIUS track for strategic technology investment.** To create the necessary oversight on sovereign wealth investments in advanced technology, CFIUS should be empowered to move beyond its current focus on individual transactions. Going forward, it should assess cumulative exposure and strategic influence, in part by ensuring full transparency from foreign firms and governments on data use, model access, and other relevant aspects. The Treasury Department can oversee this track.
- **Create oversight for diversification of critical mineral supplies.** As the United States seeks to diversify its supply chains and fortify its access to minerals, it will need to standardize its agreements for traceability, environmental and labor protections, and partner reliability. It must also create a comprehensive strategy that includes a mechanism for evaluating chokepoints and technical capacity across each mineral category. The Energy and State Departments should coordinate this framework.

The Trump administration has reframed U.S. policy in the Middle East to prioritize economic cooperation, emerging technologies, diversified supply chains, and energy cooperation over traditional security frameworks. Indeed, such cooperation with Saudi Arabia and other Gulf countries can accelerate global industrial capacity and reinforce the strategic advantage of working with the United States and its partners. To safeguard American national security interests, however, Washington must also modernize its regulatory architecture, and sooner rather than later. Failing that, market pressure and other forces could shape the new era of cooperation in ways that are unfavorable to U.S. strategy.

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