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The Great AI Game: US, China vie for West Asian cash

The race for AI supremacy is no longer just a US–China showdown. West Asia's energy rich states are leveraging their financial muscle to invest in both American and Chinese AI firms, holding the power to tip the scales in this high-stakes tech war.

Photo Credit: The Cradle

In December, former US Commerce Secretary Gina Raimondo admitted, “trying to hold China back is a fool’s errand,” acknowledging the difficulty of curbing China's extraordinary technological momentum across many fields.

Just months later, China underscored her point with the launch of DeepSeek, an Artificial Intelligence (AI) app that US President Donald Trump called a "wake-up call" in the global AI race.

The announcement shattered the perception of US dominance, with experts suggesting that China has not only closed the technology gap but is now developing AI models that match – or even surpass – western counterparts, using fewer computational resources.

AI is no longer just a technology race; it is a battlefield shaping national security and geopolitical power. In this contest, West Asia has emerged as a crucial player, leveraging its strategic location and immense financial and energy resources.

Wealthy Persian Gulf states, particularly Saudi Arabia and the UAE, are no longer just consumers of AI but influential investors. Through sovereign wealth funds, they are placing strategic bets on both US and Chinese AI firms, giving them leverage in the future of global technology.

Washington's strategic AI push

In July 2022, the US passed the CHIPS and Science Act, aimed at revitalizing its semiconductor industry, securing supply chains, and fostering research in critical technologies such as AI and quantum computing. The $52.7 billion package was designed to reduce US dependence on East Asian chipmakers.

More than a defensive measure, it was a direct counter to China's rising AI prowess. The law imposed sweeping export restrictions, cutting off Beijing from advanced US semiconductors and AI-related hardware, while forging new technology alliances to establish a "China-free" supply chain.

On 13 January 2025, the outgoing Biden administration introduced the AI Deployment Framework, tightening control over AI chip exports and using them as a diplomatic tool. The policy capped AI chip exports to most countries while granting unrestricted access to US allies. China, Russia, Iran, and North Korea, however, remained locked out of the American AI ecosystem.

Just 10 days later, following Trump's return to the White House, he signed Executive Order 14179, titled Removing Barriers to American Leadership in Artificial Intelligence. The order called for a 180-day roadmap to fast-track AI development, remove bureaucratic obstacles, and reassess previous AI policies.

By the end of the month, OpenAI, SoftBank, and Oracle unveiled Stargate, a $100 billion AI infrastructure project – the largest in US history – with future investment commitments

reaching up to $500 billion. Trump hailed the initiative as a game-changer in securing US AI dominance.

A policy document from OpenAI emphasized that investing in domestic AI infrastructure was critical to outperforming Chinese models and attracting global capital, warning that "If the US doesn't attract those funds, they will flow to China-backed projects – strengthening the Chinese Communist Party's global influence." It estimated that there are "$175 billion sitting in global funds awaiting investment in AI projects."

AI and US national security

In Washington, AI is no longer seen as merely a tool for economic growth, but as a pillar of national security. In 2018, the Pentagon established the Joint AI Center to integrate AI into military operations, enhancing battlefield intelligence, predictive maintenance, and combat readiness.

The US views AI as a strategic weapon in its ongoing and intensifying great-power competition, especially with China and Russia.

A 2021 report from the National Security Commission on AI warned that future global power structures would be shaped by AI leadership, prompting heavy investments in autonomous systems and cybersecurity. Since then, the US Department of Defense has prioritized AI in its strategy, investing heavily in autonomous systems, cybersecurity, and predictive intelligence to enhance national security.

Trump's administration has doubled down on these priorities, positioning AI as a strategic asset in great-power competition. Recent measures – nincluding Executive Order 14179 and Project Stargate – signal a clear intent to cement US supremacy in AI and contain China's technological rise.

China's DeepSeek disrupts the AI race

China's unveiling of DeepSeek sent shockwaves through the tech industry. The app skyrocketed to the top of Apple's US App Store, surpassing ChatGPT and Gemini, and triggered a market tremor: US tech giants like Nvidia saw their valuations plunge by $600 billion. The development heightened Washington's security anxieties, with officials warning that China's AI advances could give Beijing a military edge and serve as a tool for spreading state-backed narratives.

Global investors have responded by shifting capital toward China's AI sector, signaling confidence in Beijing's ability to challenge US dominance. Simultaneously, China is accelerating its push for technological self-sufficiency, reducing reliance on western semiconductor firms like TSMC and Samsung.

Beyond economics, AI-driven automation is expected to disrupt the global labor market, displacing jobs in data analysis, translation, and customer service. Meanwhile, China's surging demand for AI talent is attracting experts from western markets, exacerbating a potential brain drain in the US and Europe.

West Asia's role in the AI race

The global AI contest is often framed as a US–China duel, but West Asia is emerging as a decisive force capable of tilting the balance. With DeepSeek proving that western AI hegemony will no longer go unchallenged, Persian Gulf states are reevaluating their AI alliances, making them a critical factor in Washington's efforts to secure AI investments.

Saudi Arabia, the UAE, and Qatar are now considered the "swing states" of AI geopolitics. Their importance in the AI revolution rests on three key pillars: energy, finance, and geography.

Energy is the most obvious element as generative AI data centers require vast amounts of power, and energy-rich countries in West Asia are expected to benefit significantly. Persian Gulf states, rich in energy resources, are well-positioned to benefit from this demand.

Financially, oil-rich countries such as Saudi Arabia and the UAE are heavily investing in AI infrastructure and future technologies, making them not only key customers but also influential players. Sovereign wealth funds are channeling billions into AI-related projects through initiatives like Sanabil, a subsidiary of Saudi Arabia's Public Investment Fund (PIF), which invests $3 billion annually in top-tier venture capital firms across both the US and China.

In addition, Prosperity7, the investment arm of Saudi Aramco, made headlines by investing in Zhipu AI, one of China's largest AI startups, becoming the first non-Chinese investor to do so. The move highlights West Asia's evolving strategy of playing on both sides in the geopolitical race for AI, maintaining influence and independence despite growing global pressure to ally with the US or China.

Such investments demonstrate the region's ability to balance geopolitical tensions while expanding its influence in the global AI ecosystem.

In addition, the geographical location of West Asia represents a fully untapped advantage in the development of AI globally. Data centers play a pivotal role in improving the speed and quality of digital services for users as service efficiency increases and data centers get closer to the end user. Having multiple data centers in strategic locations ensures that data recovery backups are provided in case of failures.

The region's location is also an advantage, as West Asia serves as a digital crossroads between Europe, Asia, and Africa. The majority of web traffic between these continents passes through the region, making it a prime hub for global AI deployment.

West Asia: The battleground for AI influence

As AI competition intensifies, West Asia is no longer just an emerging market – it is a strategic theater in the tech war between Washington and Beijing. China views the region as an extension of its Digital Silk Road, aiming to expand its technological footprint through cost-effective AI solutions.

The US, on the other hand, is deepening its AI partnerships with Persian Gulf states, trying to ensure that AI infrastructure aligns with western standards. The battle over AI in West Asia transcends mere technological rivalry; it is a contest for economic and geopolitical dominance.

With Persian Gulf states positioned as kingmakers in this struggle, their decisions in the coming years could redefine the balance of power in the AI era. The US–China AI war is no longer just a two-player game – West Asia is now firmly in the mix, and its role in shaping the future of AI is only growing.

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