“AI, geopolitics and the Mena opportunity”, Op-ed in Arabian Gulf Business Insight (AGBI), 27 Feb 2025

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AI, geopolitics and the Mena opportunity

DeepSeek’s emergence has spotlighted the GCC’s role in hosting green AI infrastructure

The surprise arrival of Chinese LLM startup DeepSeek roiled global markets, wiping billions from US chipmaker Nvidia’s market cap and slashing global tech stocks.

DeepSeek’s breakthrough highlights China’s rapid innovation capabilities, as well as Washington’s struggle to contain Beijing’s rise, particularly in AI and quantum computing.

The Chinese tech firm’s emergence is attributable to its open source, cost-effective AI models, which operate with significantly lower costs and data requirements than existing models. Since DeepSeek entered into the market, global tech firms have announced even higher spending on AI infrastructure and accelerated deployment.

However, financial sustainability remains a question. There is also a long way to go to reach human-level intelligence levels or Artificial General Intelligence (AGI).

DeepSeek has challenged the belief that advanced chip hardware is necessary for better AI. This raises hope for less advanced countries to catch up in the AI race, particularly against the backdrop of greater geopolitical fragmentation and increased protectionism.

As it becomes easier and cheaper to adopt new technology this will increase the ubiquitousness of AI-based applications and services.

AI is a general-purpose technology that promises to be transformational. Its wide applicability will increase economic efficiency and reshape innovation and R&D processes, while complementing other innovations – such as in quantum computing, generative biology and robotics – leading to an upward shift in total factor productivity.

In the early 2020s, initial expectations assumed that AI tools would primarily benefit lower-skilled workers by enhancing efficiency (for example, assisting new customer support employees). However, research has since warned that AI could exacerbate socio-economic disparities.

The International Labour Organisation estimates that 75 million jobs worldwide (or 2.3 percent of global employment) are at risk of automation due to high exposure to generative AI (GenAI) technology, with the risk rising to 5.1 percent in high-income countries.

Nobel Laureates Daron Acemoglu and Simon Johnson caution that decisions regarding powerful automation tools should not be left solely to a small group of entrepreneurs and engineers, as this could deepen income and wealth inequality.

They advocate for AI policies that prioritise worker interests

to prevent widespread job displacement and unemployment.

Where does the Middle East stand?

As GenAI technology becomes more mainstream, its growing adoption calls for more data centres, increased electricity consumption and higher carbon emissions.

AI is highly carbon-intensive, with ChatGPT alone generating over 260 tonnes of CO_2 emissions per month. This presents a significant sustainability challenge for tech firms and governments.

However, the GCC offers a solution: renewable energy powered data centres.

Moro Hub, a subsidiary of Digital Dewa, operates a data centre entirely powered by renewable energy (in partnership with Masdar and Acwa Power). With abundant and cost-effective renewable energy, the GCC has a strategic advantage in becoming a global hub for sustainable data centres.

Within the next five years, renewables could account for 30 percent of the region’s total energy capacity, supporting the expansion of “green” data centres.

The GCC had $3.1 billion worth of data centre projects in progress, as of November 2024, with the UAE and Saudi Arabia leading investments in this sector.

Recent partnerships with Europe, China, and the US to develop AI capacity have cemented the ambition of the region to become a prominent player in the sector.

For example the UAE plans to invest EUR 30-50 billion in building a mammoth AI data centre in France. The project is backed by a consortium of French and Emirati investors, including MGX, a major Abu Dhabi government-backed investor.

MGX is also a core stakeholder in OpenAI’s Stargate project,

which aims to invest $500 billion in AI infrastructure over the next four years.

The successful adoption of AI and digital technologies requires both hard and soft infrastructure.

This includes electrification, digitalisation infrastructure, supportive policies, R&D investments, STEM education, workforce reskilling, an enabling regulatory environment, and adaptable legal frameworks.

There remains a wide technology divide between the GCC and other Mena countries, which face challenges such as a shortage of AI talent, digital illiteracy, underdeveloped infrastructure, and limited R&D investment.

While AI has the potential to be transformative, it also risks deepening inequalities due to the region’s disparities in digitalisation and AI preparedness.

As the GCC emerges as a leader in AI, it should prioritise technology sharing and capacity building across the region through investment, digital infrastructure integration, and inclusion in foreign aid programmes.

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