THE GLOBAL AI RACE · PART 2 OF 4

The Hedgers

How the Middle East and Europe are navigating the US-China AI divide, and where the deals are.

MIDDLE EAST

EUROPE

By Bill Billeaud and Shrikant Patil · Lombard Global · July 2026

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RECAP

The story so far: two models

UNITED STATES

Proprietary and closed. Keep the best models behind an API, sell access, and use export controls to hold the top chips at home.

CHINA

Open-weight and free. Give the models away to win global adoption it cannot yet buy with raw computing power.

Almost every other country is now choosing a side, or hedging between the two. **The Middle East and Europe are the two most important hedgers.**

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THE THESIS

Two hedgers, hedging in opposite ways

MIDDLE EAST

Has the capital and the energy. Lacks the chips and the talent.

So it buys its way in and leans American, because that is the price of Nvidia.

EUROPE

Has the talent and the rules. Lacks the scale and the capital.

So it builds a regulated third way: sovereign and open-leaning, but still running on US silicon.

Both are where the cross-border deals actually happen.

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PART TWO · SECTION ONE

Middle East

Buying its way into the race.

~$50B FUND

~$40B DEAL

5 GW CAMPUS

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American, by necessity

- The Gulf converts oil money into AI infrastructure. The one thing it must have is US chips.
- In 2025, Washington authorized Nvidia exports to the UAE's G42 and Saudi Arabia's HUMAIN, on condition they wall off Chinese technology.
- It still flirts with China on cost and 5G. But when forced to choose, it chooses access.

G42 · UAE

HUMAIN · Saudi Arabia

Two mega-projects

Stargate UAE

Abu Dhabi

A 1 GW compute cluster built by G42, operated by OpenAI and Oracle. The first 200 MW comes online in 2026, inside a planned 10-square-mile UAE-US campus targeting 5 GW.

Saudi HUMAIN

PIF-owned, since May 2025

Building its own Arabic model (ALLaM), planning on the order of 600,000 Nvidia chips, a 500 MW site with xAI, and a $10B AI hub with Google Cloud.

The capital behind it is staggering

~$50B

MGX AI-infrastructure fund, raised June 2026

~$40B

MGX-led buy of Aligned Data Centers, the largest data-center deal on record

12% / 40%

Saudi GDP from AI by 2030, and the UAE by 2031 (government targets)

Sovereign funds (PIF, Mubadala, MGX) are now both buyers and capital partners in cross-border AI deals.

PART TWO · SECTION TWO

Europe

The regulated third way.

EU AI ACT

€37B GIGAFACTORIES

MISTRAL ~€20B

EUROPE · WHOSE MODEL

Its own

- A third pole: not US-closed, not China-cheap, but sovereign, open-leaning, and heavily regulated.
- The EU AI Act is the world's most comprehensive AI law, with its general-purpose rules live since August 2025.
- Its standard-bearer is France's Mistral, Europe's open-weight champion, reportedly raising at about €20B (June 2026).

EU AI ACT

MISTRAL · France

Building sovereign compute

European Union

AI gigafactories: €37B across 10 sites in 7 countries, under an InvestAI plan aiming to mobilize up to €200B.

United Kingdom

An AI Opportunities Action Plan adopted in full, a £500M sovereign AI unit, and champions in DeepMind, ARM, and Wayve.

The Nordics

The cheapest clean power in Europe (90%+ renewable), which drew OpenAI's first European data center: Stargate Norway, around 100,000 GPUs.

The sovereignty trade

Cohere-Aleph Alpha **~$20B**

Canada's Cohere merged with Germany's Aleph Alpha in April 2026 to form a transatlantic AI powerhouse, with Germany's Schwarz Group investing $600M.

The logic is pure Europe: governments and regulated industries want AI vendors that guarantee data residency, EU AI Act compliance, and freedom from US control.

SIDE BY SIDE

Gulf vs Europe at a glance

Dimension	Middle East (Gulf)	Europe
Model leaning	US-aligned (chip-access driven)	Sovereign, open-leaning, regulated
Core strength	Capital and cheap energy	Talent and rules
Core gap	Chips and talent	Scale and capital
Flagship compute	Stargate UAE, 1 GW to 5 GW	AI gigafactories, €37B / 10 sites
Champion / vehicle	HUMAIN, G42, MGX	Mistral (France)
Signature money	MGX ~$50B; Aligned ~$40B	Cohere-Aleph Alpha ~$20B
Cross-border angle	Buyer and capital partner	Richest field of targets

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THE M&A LENS

What it means for cross-border dealmaking

1

Buyers are concentrated

US enterprise-software strategics and, increasingly, Gulf capital (PIF, Mubadala, MGX).

2

Targets are dispersed

Sovereignty-driven, compliance-ready AI and data firms across Europe. Cohere-Aleph Alpha is the template.

3

Whose model is diligence

Chip access, customer base, and regulation all hinge on it. The EU AI Act is both a cost and a moat.

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Next in the series

Part 3: India and the emerging markets

Part 4: Where the global AI race is headed, and what it means for dealmakers

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SOURCES

Sources and notes

MIDDLE EAST

Semafor · Economy Middle East · G42 / PR Newswire · Data Center Dynamics · Middle East Institute · Fortune · Mubadala

EUROPE

European Commission · Council of the EU · Bloomberg · Mistral AI · CMS · CNBC · TechCrunch · EQT · Vattenfall

Figures are drawn from public releases and press reporting current to mid-2026. Government targets and private valuations move quickly; full source links are in the companion white paper.