

G42 and the China-UAE-U.S. Triangle

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Brief Analysis

By sharing very specific concerns directly with the United Arab Emirates, the White House and Congress were rewarded with tangible action on a key company's ties to Beijing—though more such engagement is needed to keep regional partners aware of U.S. risk tolerance.

In January, the House Select Committee on the Chinese Communist Party [asked \(https://selectcommitteeontheccp.house.gov/media/press-releases/gallagher-calls-usg-investigate-ai-firm-g42-ties-prc-military-intelligence\)](https://selectcommitteeontheccp.house.gov/media/press-releases/gallagher-calls-usg-investigate-ai-firm-g42-ties-prc-military-intelligence) the Department of Commerce to investigate the Emirati artificial intelligence company Group 42 Holdings (G42), citing suspicion of ties to blacklisted Chinese entities. The request followed months of quiet U.S. pressure on the issue. In June 2023, for instance, White House officials [reportedly \(https://www.nytimes.com/2023/11/27/us/politics/ai-us-uae-china-security-g42.html\)](https://www.nytimes.com/2023/11/27/us/politics/ai-us-uae-china-security-g42.html) mentioned their concerns about G42 during a meeting with company chair Sheikh Tahnoun bin Zayed, who also serves as the UAE's national security advisor. This February, in an apparent acknowledgment of these concerns, G42 [announced \(https://www.ft.com/content/82473ec4-fa7a-43f2-897c-ceb9b10ffd7a\)](https://www.ft.com/content/82473ec4-fa7a-43f2-897c-ceb9b10ffd7a) that its investment arm had divested entirely from Chinese companies, including an estimated \$100 million stake in ByteDance, owner of the controversial app TikTok.

Despite this promising step forward, however, G42 is not the UAE's only avenue for advanced technological collaboration with China, nor is this the first time that U.S. competition with Beijing has complicated relations with Abu Dhabi. As countries across the region deepen their ties with China in multiple sectors, many will continue to test the limits of U.S. patience and risk tolerance, and the UAE is no exception.

G42 and Broader Chinese Tech Concerns

Founded in 2018, G42 has been chaired by Sheikh Tahnoun since 2021. The full-spectrum AI company focuses on research related to machine learning, big data, and natural language processing across a range of industries, from government to healthcare to

finance. It is essentially the execution arm of an [ambitious national strategy \(https://ai.gov.ae/wp-content/uploads/2021/07/UAE-National-Strategy-for-Artificial-Intelligence-2031.pdf\)](https://ai.gov.ae/wp-content/uploads/2021/07/UAE-National-Strategy-for-Artificial-Intelligence-2031.pdf) that calls for the UAE to “build an AI economy” and “become one of the leading nations of AI by 2031.” To that end, G42 has been interwoven into the Emirati economy: it [inked a deal \(https://www.zawya.com/en/press-release/addh-and-group-42-announce-joint-venture-agreement-to-boost-artificial-intelligence-adoption-across-addh-g0x8pz23\)](https://www.zawya.com/en/press-release/addh-and-group-42-announce-joint-venture-agreement-to-boost-artificial-intelligence-adoption-across-addh-g0x8pz23) with the Abu Dhabi Developmental Holding Company just a year after its founding, then launched a [joint venture \(https://adnoc.ae/en/news-and-media/press-releases/2020/adnoc-and-abu-dhabi-based-group-42-launch-aiq-an-artificial-intelligence-joint-venture-company\)](https://adnoc.ae/en/news-and-media/press-releases/2020/adnoc-and-abu-dhabi-based-group-42-launch-aiq-an-artificial-intelligence-joint-venture-company) with the Abu Dhabi National Oil Company (ADNOC) in 2020. Moreover, Sheikh Tahnoun was recently [named \(https://cointelegraph.com/news/artificial-intelligence-council-uae-president-abu-dhabi\)](https://cointelegraph.com/news/artificial-intelligence-council-uae-president-abu-dhabi) chairman of the country’s new Artificial Intelligence and Advanced Technology Council.

G42’s CEO is Peng Xiao, a controversial figure who renounced his American citizenship in exchange for Emirati citizenship. Previously, he led the [Pegasus subsidiary \(http://c4iconf.com/node/370\)](http://c4iconf.com/node/370) of the DarkMatter Group, a UAE-based firm that has been accused of [serious privacy breaches \(https://freedomhouse.org/country/united-arab-emirates/freedom-net/2023\)](https://freedomhouse.org/country/united-arab-emirates/freedom-net/2023) at home and abroad. Just before G42 was founded, he concluded [a deal \(https://www.intelligentcio.com/me/2017/05/09/pegasus-a-darkmatter-company-signs-a-global-strategic-mou-with-huawei-to-bring-greater-safety-and-security-to-smart-cities/\)](https://www.intelligentcio.com/me/2017/05/09/pegasus-a-darkmatter-company-signs-a-global-strategic-mou-with-huawei-to-bring-greater-safety-and-security-to-smart-cities/) between Pegasus and the massive Chinese technology firm Huawei, highlighted by the latter’s promotion of ToTok, a [highly controversial \(https://www.nytimes.com/2019/12/22/us/politics/totok-app-uae.html\)](https://www.nytimes.com/2019/12/22/us/politics/totok-app-uae.html) messaging app tied to both G42 and DarkMatter. In its January letter to the Commerce Department, the House Select Committee [noted \(https://static01.nyt.com/newsgraphics/documenttools/f1068778a22c5d51/dc46b295-full.pdf\)](https://static01.nyt.com/newsgraphics/documenttools/f1068778a22c5d51/dc46b295-full.pdf), “Xiao operates and is affiliated with an expansive network of UAE and [China]-based companies that develop dual-use technologies and materially support PRC military-civil fusion and human rights abuses.”

One such Chinese company is BGI Genomics, which was [blacklisted \(https://media.defense.gov/2022/Oct/05/2003091659/-1/-1/0/1260H%20COMPANIES.PDF\)](https://media.defense.gov/2022/Oct/05/2003091659/-1/-1/0/1260H%20COMPANIES.PDF) by the U.S. Defense Department in 2021 as an official Chinese military entity. In addition, the company faces a potential [congressional ban \(https://www.nbcnews.com/politics/national-security/congress-wants-ban-china-genomics-firm-bgi-from-us-rcna135698\)](https://www.nbcnews.com/politics/national-security/congress-wants-ban-china-genomics-firm-bgi-from-us-rcna135698) from operating in the United States due to its close ties with the Chinese state and concerns over the military applications of its research. During the COVID-19 pandemic, G42 [partnered \(https://www.g42.ai/resources/news/g42-and-bgi-announce-covid-19-detection-lab\)](https://www.g42.ai/resources/news/g42-and-bgi-announce-covid-19-detection-lab) with BGI on virus detection; it also worked with another Chinese company, Sinopharm, on [vaccine production \(https://www.g42.ai/resources/news/g42-sinopharm-phase-3-clinical-trial-vaccine\)](https://www.g42.ai/resources/news/g42-sinopharm-phase-3-clinical-trial-vaccine). In March 2023, it partnered with BGI again on the [Emirati Genome Program \(https://www.thenationalnews.com/uae/2023/03/28/uae-president-launches-national-genome-strategy-to-prioritise-emirati-health-care/\)](https://www.thenationalnews.com/uae/2023/03/28/uae-president-launches-national-genome-strategy-to-prioritise-emirati-health-care/).

G42 is not the only point of tech-related tension between the UAE and Washington. In 2019, Emirati telecom provider Etisalat [contracted \(https://www.bloomberg.com/news/articles/2021-06-11/biden-prods-uae-to-dump-huawei-sowing-doubts-on-key-f-35-sale\)](https://www.bloomberg.com/news/articles/2021-06-11/biden-prods-uae-to-dump-huawei-sowing-doubts-on-key-f-35-sale) with Huawei to build 5G towers—an arrangement that drew U.S. ire under both the Trump and Biden administrations. Emirati ties with Huawei have only deepened since then, as seen in multiple deals announced last year (in [February \(https://www.arabianbusiness.com/industries/technology/du-huawei-sign-5-5g-network-deal\)](https://www.arabianbusiness.com/industries/technology/du-huawei-sign-5-5g-network-deal), [September \(https://www.prnewswire.com/news-releases/huawei-appgallery-and-leading-banking-apps-in-the-uae-a-strategic-partnership-for-the-future-of-banking-301916965.html\)](https://www.prnewswire.com/news-releases/huawei-appgallery-and-leading-banking-apps-in-the-uae-a-strategic-partnership-for-the-future-of-banking-301916965.html), and [December \(https://developingtelecoms.com/telecom-technology/wireless-networks/15906-huawei-and-etisalat-by-e-demo-net-zero-5g-massive-mimo.html\)](https://developingtelecoms.com/telecom-technology/wireless-networks/15906-huawei-and-etisalat-by-e-demo-net-zero-5g-massive-mimo.html)) and one [this February \(https://www.huawei.com/en/news/2024/2/5ga-du-mou\)](https://www.huawei.com/en/news/2024/2/5ga-du-mou).

U.S. officials tend to see G42 and other Emirati technological endeavors with China as inherent risks to U.S. proprietary information and technology—and in some cases to national security as well. In their view, the presence of Chinese firms runs the risk of corporate and technical espionage against U.S. entities when they work within the same networks.

Yet very few regional officials share these concerns. For instance, the UAE’s minister for AI [has dismissed \(https://asia.nikkei.com/Editor-s-Picks/Interview/UAE-open-to-China-AI-despite-U.S.-concerns-minister\)](https://asia.nikkei.com/Editor-s-Picks/Interview/UAE-open-to-China-AI-despite-U.S.-concerns-minister) such arguments, noting that the government has been establishing safeguards to mitigate privacy and security risks.

Caught Amid Great Power Competition

Despite ongoing U.S. concerns about the UAE’s China links, Emirati leaders have made clear that they will chart an independent course in this era of heightened great power competition. As the diplomatic advisor to President Muhammad bin Zayed [stated \(https://www.thenationalnews.com/uae/government/2022/11/14/uae-has-no-interest-in-choosing-sides-between-great-](https://www.thenationalnews.com/uae/government/2022/11/14/uae-has-no-interest-in-choosing-sides-between-great-)

[powers-says-anwar-gargash/](#) in 2022, “The UAE has no interest in choosing sides between great powers,” instead preferring a “multilayer approach” to its various partnerships. In seeking this balance, the government’s foreign policy may at times embrace “more of China, less of America on all fronts,” as one prominent Emirati commentator [put it \(https://www.ft.com/content/4f82b560-4744-4c53-bf4b-7a37d3afeb13\)](#) in 2021.

This calculation is partly rooted in Abu Dhabi’s economic reality:

- China is the UAE’s top trading partner, with their non-oil trade [rising \(https://www.moec.gov.ae/en/-/uae-and-china-discuss-investment-opportunities-in-new-economic-sectors-trade-transportation-technology\)](#) nearly 20 percent between 2021 and 2022, surpassing \$70 billion that year according to Emirati officials.
- Around 7 percent of China’s crude oil imports and 6 percent of its petroleum products came from the UAE [as of 2022 \(https://www.eia.gov/international/content/analysis/countries_long/China/pdf/china-2023.pdf\)](#). This includes approximately 480,000 barrels of crude per day, an increase of around 40 percent from the previous year.
- The UAE is the largest hub for Chinese businesses in the region and the transit point for approximately 60 percent of Chinese trade flowing to the Middle East and North Africa, [according \(https://www.mofa.gov.ae/en/Missions/Beijing/UAE-Relationships/Economic-Cooperation\)](#) to the Emirati Foreign Ministry. Similarly, a [2019 estimate \(https://www.economist.com/middle-east-and-africa/2019/04/20/chinese-money-is-behind-some-of-the-arab-worlds-biggest-projects\)](#) noted that almost two-thirds of Chinese exports to Africa, the Middle East, and Europe flowed through Emirati ports. And in 2022, Chinese ambassador Zhang Yiming [remarked \(http://ae.china-embassy.gov.cn/eng/dshd/202209/t20220929_10773756.htm\)](#) that the UAE was the top regional destination for his country’s exports.
- China reportedly [ranks third \(https://www.uae-embassy.org/fdi-and-business-environment#:~:text=Foreign%20direct%20investment%20\(FDI\)%20flows,as%20an%20attractive%20investment%20destination.\)](#) in foreign direct investment in the UAE, after Britain and India.

In short, Washington can hardly be surprised or frustrated when the UAE—one of the most advanced economies in the Middle East—takes steps to enhance its robust economic relationship with a global powerhouse like China.

At the same time, however, endeavors like G42 indicate that the UAE still has little hesitation about deepening ties with Beijing in ways that may expose American interests to unacceptable risk. Most notable is its development of Khalifa Port in Abu Dhabi, where U.S. authorities [revealed \(https://www.wsj.com/articles/us-china-uae-military-11637274224\)](#) in 2021 that China was constructing a military facility mere miles from U.S. forces at al-Dhafra Air Base. This discovery contributed to the derailment of [negotiations \(https://www.washingtoninstitute.org/policy-analysis/unpacking-uae-f-35-negotiations\)](#) in which the UAE sought to acquire F-35 jets, MQ-9 drones, and billions of dollars in precision munitions from the United States. Abu Dhabi [claimed \(https://www.wsj.com/articles/u-a-e-confirms-it-halted-work-on-secret-chinese-port-project-after-pressure-from-u-s-11639070894\)](#) to stop work on this facility in 2021 and insisted that it was civilian in nature. Yet the status of the project and its implications for the broader bilateral relationship remain sensitive. Much like the G42 episode, the port episode reveals an underlying reality of U.S.-China competition: that economic ties with Beijing often come with security implications, and these implications may jeopardize aspects of a country’s relationship with the United States.

Conclusion

The handling of the G42 issue may have crystallized an effective model for addressing China-related security issues with U.S. partners—that is, Washington shared its specific concerns about a specific company directly with Emirati officials, who in turn adjusted the company’s ties with specific Chinese entities. Going after the entire G42 enterprise would have been a nonstarter given how crucial the company is to the UAE’s national AI endeavor; U.S. officials also recognized the firm’s closeness to the Emirati ruling elite. Combining pressure from Congress and the executive branch—whether coordinated or not—was similarly effective in underscoring the issue’s gravity. Even G42’s CEO recently [acknowledged \(https://fortune.com/2023/12/07/emirati-ai-company-picks-side-against-china-g24-us-sanctions/amp/\)](#) that the company “cannot work with both sides” anymore, pledging to divest entirely from China.

Yet divestment alone—while welcome—is unlikely to alleviate U.S. concerns completely. In its response to the congressional letter in January, G42 [stated \(https://www.g42.ai/resources/news/Statement-on-the-New-York-Times-article-and-the-letter-from-the-United-States-Congress-House-Select-Committee-on-the-CCP\)](#) that it operates within “strict compliance and ethical boundaries.” But it did not specify what this formulation means in the current environment, where rapid AI development continues despite the international community’s failure to establish clear standards for the sector or otherwise match policy with progress.

Accordingly, the United States will need to keep holding G42 accountable through continuous monitoring and engagement with Emirati officials. It should also turn its policy achievement with Abu Dhabi into a playbook for other countries seeking to balance between U.S. and Chinese tech cooperation. This means being prepared to hold tailored, senior-level briefings with Middle East partners on specific concerns related to China, and following up these discussions with patient, transparent diplomacy.

The United States should also convene like-minded partners to help formulate international norms and definitions for **digital sovereignty** (<https://carnegieendowment.org/2023/11/29/defending-s-word-language-of-digital-sovereignty-can-be-tool-of-empowerment-pub-91078>) and **privacy** (<https://www.aclu.org/documents/human-right-privacy-digital-age>). Setting clear parameters and reinforcing them globally would enable Washington to simultaneously bolster its security partnerships and information protection.

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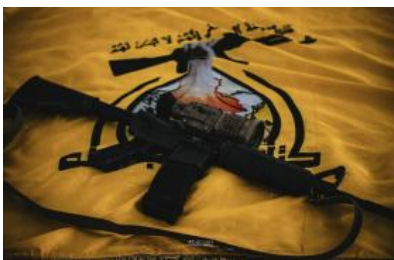
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