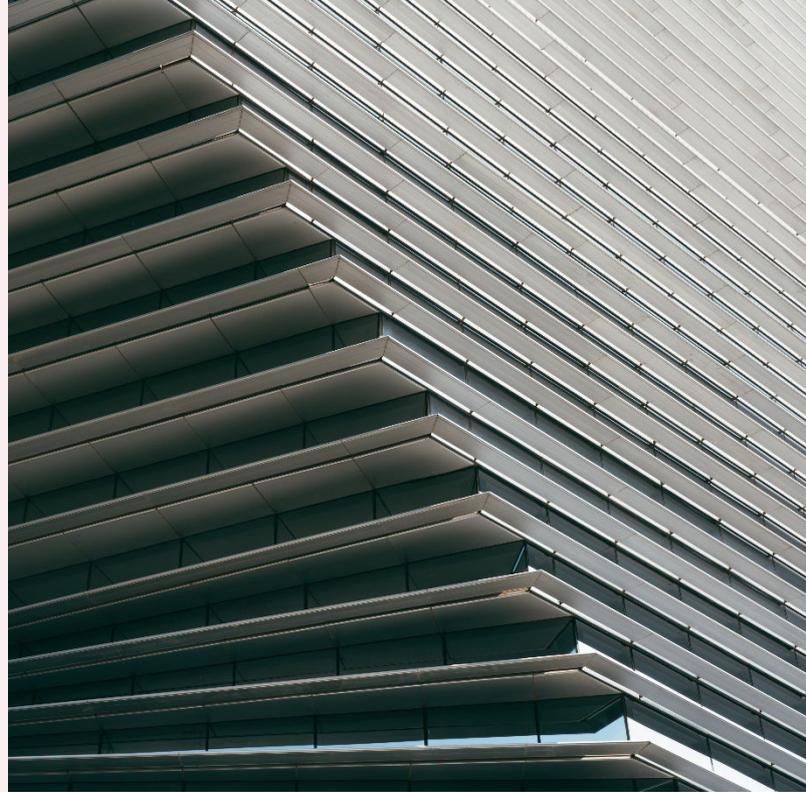


Doing Business in the Middle East: Top Five Considerations for AI Joint Ventures

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AI is reshaping business across the Middle East at an unprecedented pace. The United Arab Emirates (**UAE**) ranks among global leaders in AI adoption, with nearly 65% of its working-age population using AI tools, according to a recent Microsoft [report](#). Meanwhile, Stanford University [ranks](#) Saudi Arabia third place worldwide for developing AI models, trailing only the United States and China.

To keep up with this momentum, companies are increasingly turning to joint ventures (**JVs**) as a strategic way to combine resources, grow funding, share expertise, and accelerate AI innovation in the region. A JV is essentially a partnership between two or more parties who collaborate to achieve a specific business goal – in practice, this is typically achieved using a single jointly-owned corporate vehicle or sometimes a contractual agreement between the parties. While traditional considerations like structuring and funding remain important, AI-focused JVs bring unique challenges.

This article explores five key legal considerations for AI joint ventures in the UAE and Saudi Arabia and provides practical insights to help businesses navigate this fast-evolving landscape.

Key issues

- 1 Successful AI JVs require operational agility
- 2 Protecting valuable IP
- 3 Navigating local data and AI compliance requirements
- 4 AI JVs need an exit plan
- 5 Competition law – plan ahead to prevent delay

1. SUCCESSFUL AI JVS REQUIRE OPERATIONAL AGILITY

AI JVs thrive on flexibility. Unlike traditional partnerships that may be working towards a fixed deliverable or long-term outcome, AI projects often operate in a fast-changing environment where technology and market dynamics can shift overnight. For example, a JV's business plan, if centred on the launch of a single AI product, may require rapid adjustment in response to competitive pressures, regulatory change, technological advances, or developments arising during research and development.

To succeed, JVs must embed agility into their structure from the outset. This requires governance frameworks that support rapid escalation and decision-making, enabling the venture to respond effectively to innovation cycles and to regulatory changes that evolve over weeks rather than years. Agility should be reflected in both strategic direction and day to day operations, allowing the JV to capture emerging opportunities and respond to mandatory legal requirements without being constrained by rigid plans or approval processes. In practice, this may involve carefully defining which decisions can be taken by management and which should be reserved for shareholders, particularly where minority interests require protection.

Operational agility also depends on access to the right technical expertise. Effective knowledge transfer is often critical so that JV partners can participate meaningfully and equally in decision-making. Where one partner contributes the core AI technology, there may be a need to invest in training and upskilling the other partner so it can make informed decisions quickly and confidently. For these reasons, agile governance mechanisms and robust knowledge-sharing obligations should be hard-wired into the JV transaction documents. Doing so from the start helps ensure alignment, capability and speed, all of which are essential for AI ventures operating at the pace of today's innovation.

2. PROTECTING VALUABLE IP

JVs may be established for a range of purposes in the context of AI projects, including:

- **Market entry** – deploying AI in a specific geography or regulated market with a local partner.
- **Commercialisation** – building and selling an AI product together (e.g. tech provider and an industry player launching an AI tool).
- **R&D** – jointly developing AI models or algorithms or co-developing products or services which embed AI.
- **Data-pooling** – combining datasets to enable training or fine-tuning.
- **Compute/infrastructure** – co-investing in GPU or other specialised chips, cloud, or data centre capacity to support AI workloads.

Across all of these examples, the protection of intellectual property rights, confidential information, and business critical data is a central consideration. AI JVs often involve a complex mix of assets contributed by different partners and/or developed within the JV, including AI models, algorithms, prompts, datasets, source code, hardware, know-how and technical documentation. Particular care is also required in relation to the provenance and legality of any training data contributed to the JV, including whether it has been lawfully obtained and appropriately licensed

and can be used for the intended purposes. Clearly defining ownership and usage rights from the outset is essential to avoid disputes and preserve long-term value.

The starting point is to distinguish between IP that will be owned by the JV and IP that will remain with the contributing parties. Equally important will be agreeing how that IP and associated data can be used. Will usage be limited strictly to the JV's activities, or will partners be permitted to commercialise the IP and data more broadly? For example, can one partner use the JV's data or learnings to improve its own products outside the venture? These issues should be addressed upfront. In short, clarity around AI ownership, licensing, and permitted uses is fundamental to protecting each party's valuable contributions and interests.

3. NAVIGATING LOCAL DATA AND AI COMPLIANCE REQUIREMENTS

In both the UAE and Saudi Arabia, local laws may restrict the transfer of certain categories of data outside the country. Although data localisation rules have relaxed in the region in recent years, they continue to apply in specific scenarios. Where cross-border transfers are restricted, AI JVs may need to adopt alternative solutions, such as hosting data in local data centres. These issues most commonly arise within AI projects servicing government bodies or clients in regulated sectors, such as financial services or healthcare. Non-compliance can result in fines, service suspension, and in some cases, criminal penalties.

While neither jurisdiction currently has a comprehensive federal AI law, AI development and deployment is nevertheless subject to a growing patchwork of sector-specific and local regulatory requirements. For example, Regulation 10 of the DIFC Data Protection Law imposes requirements on developers and users (or deployers) of high-risk AI systems that process personal data in the DIFC including, among other things, system-specific certification and adherence to responsible AI principles, including fairness, security, and accountability. Similarly, Article 4(5) of the Implementing Regulations of Saudi Arabia's Personal Data Protection Law introduces specific transparency requirements where automated decision-making is intended to be used. These obligations sit alongside broader data protection, cybersecurity, and consumer protection laws, as well as broader global AI laws and regulations, including the EU AI Act, which are often relevant depending on the JV's operations and/or where the JV wishes to place the AI system or AI-enabled product on the market. The critical question for any AI JV is whether it can comply with these requirements from day one. If immediate compliance is not feasible, the JV parties should agree a clear and realistic regulatory roadmap at the outset. Failing to do so risks delays to deployment, limitations on commercialisation, and reputational and enforcement exposure that can undermine the project's success.

4. AI JVS NEED AN EXIT PLAN

While parties are often comfortable discussing a successful exit from a JV, they may be more hesitant to address scenarios involving deadlock, underperformance, or early termination at the outset. However, doing so is essential to avoid uncertainty and disputes down the line. Without a clear and comprehensive exit framework, partners risk losing control of, or

access to, valuable AI technology, or being inadequately compensated for significant contributions made during the JV's life.

The process should start with agreed rules on early exits. Will the JV be subject to a lock-in period to provide stability? This is particularly important where the venture involves substantial upfront investment in the AI development or infrastructure, or in creating a joint AI-enabled product or solution.

Equally critical is addressing what happens to core AI technology if a key licensor or technology or other contributor (such as a manufacturer in the case of AI-enabled products) withdraws. Termination rights that cut off access to essential IP can quickly cripple the business unless alternative protections are built in. These issues are often complex in AI JVs, which typically involve co-development, tightly integrated models, and shared data pipelines. Key questions include whether JV parties should receive automatic licences, have an option to acquire core IP, or retain economic benefits linked to their contributions, such as ongoing revenue participation from customer relationships developed during the JV.

Planning for these scenarios at the outset ensures all parties have clarity on how the AI JV may unwind. It promotes commercial fairness, preserves value, and significantly reduces the risk of disruption or dispute if the partnership ends.

5. COMPETITION LAW – PLAN AHEAD TO PREVENT DELAY

JVs that are considered "full-function" (i.e. operate with a sufficient degree of independence from their parent companies and are active in the market) may be notifiable under the merger control regimes of both the UAE and Saudi Arabia, subject to relevant thresholds.

In the UAE, the assessment is highly fact-specific and focuses on how the JV will operate in practice, including its governance structure, access to resources, and ability to act independently in the market. As the UAE merger control framework continues to mature, early alignment on whether a proposed AI JV is likely to trigger notification can help manage regulatory timelines and avoid unnecessary process friction. In Saudi Arabia, certain exemptions from notification may be available, particularly for JVs between Saudi and foreign partners that introduce products or services not previously available in the Kingdom. Where applicable, this exemption can provide a valuable regulatory safe harbour.

However, in both jurisdictions, parties must still consider the broader competition law landscape. This includes assessing whether the JV could create or strengthen a dominant position and ensuring that commercial arrangements do not restrict independent decision-making or facilitate anti-competitive coordination between competitors, including the JV partners themselves. Particular care is typically required to avoid structures or behaviours that could be perceived as entrenching market power or limiting market entry.

Concluding remarks

AI JVs in the Middle East present significant commercial opportunity, but they also bring complex legal and regulatory challenges that can delay execution and erode value if not addressed early. From structuring, commercialisation, and IP protection to regulatory compliance, exit

planning, and competition law, getting these issues right from day one is critical. With the UAE and Saudi Arabia positioning themselves as a regional hub for AI development and deployment, a thoughtful and well-planned approach can enable businesses to move quickly while remaining aligned with evolving regulatory expectations.

If you are considering an AI project in the Middle East, please get in touch with our specialist team to discuss how we can help.

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