

Khashoggi crisis shines light on Saudi ties to Silicon Valley

October 19 2018, by Julie Charpentrat



Saudi Crown Prince Mohammed bin Salman and SoftBank CEO Masayoshi Son, who are directing billions of investments in US technology, are interviewed by is interviewed by US journalist Maria Bartiromo at a conference in Riyadh in 2017

The crisis surrounding the disappearance of journalist Jamal Khashoggi,

and concerns that he may have been killed in the Saudi consulate in Turkey, has highlighted the role of the Middle East kingdom in the US economy, especially in Silicon Valley.

Saudi money has been a key source of capital for startups and other technology firms in recent years, led by the huge Saudi sovereign wealth arm known as the Public Investment Fund, but also from individual members of the Saudi royal family and the Kingdom Holding Company, the investment arm of Prince Al-Waleed Bin Talal, according to the research firm CB Insights.

The most prominent of the investments was a \$45 billion contribution in 2016 to the SoftBank Vision Fund launched by the Japanese conglomerate focusing on tech and startups, followed by a pledge of another \$45 billion this year.

That gives the Saudis at least an indirect role in some of the hottest companies in the tech sector, including Uber, Slack, WeWork and Nvidia.

But the Saudi funds and royal family members also have made direct investments in Silicon Valley, including the \$3.5 billion infusion in Uber from the sovereign PIF fund, a deal which helped put the fund's managing director Yasir Al Rumayyan on the Uber board of directors.

Despite the big Saudi investment in Uber, its CEO Dara Khosrowshahi announced he would skip the high-profile investment conference in Saudi Arabia next week, joining a number of US and European business and political leaders who are staying away as a result of the Khashoggi controversy.

PIF has invested \$461 million in the mixed reality startup Magic Leap, which has also raised capital from Google, China's Alibaba and others.

The PIF was also in focus recently when Tesla chief executive Elon Musk said in a tweet that he had secured funding—which turned out to be untrue—from the fund to take the electric automaker private.



Saudi men chat in front of a poster of Saudi Crown Prince Mohammed bin Salman during the 2017 "MiSK Global Forum," part of efforts by Saudi Arabia to transform its economy

The PIF later announced it was investing more than \$1 billion in Tesla rival Lucid Motors, which is aiming to deliver its first vehicles in 2019.

Focusing on transport

The transport sector is a key focus for the Saudis: the Vision Fund has

taken a stake in GM-backed autonomous car unit Cruise, and Kingdom Holding has shares of Uber rival Lyft.

Prince Al-Waleed meanwhile has investments in Twitter and Apple, and a 2.3 percent stake in Snapchat parent firm Snap.

Saudi Arabia is also seen as a key market for US tech giants as the kingdom embarks on its "Vision 2030" plan to reduce dependence on oil and create a more diversified, tech-focused economy.

Microsoft earlier this year launched its cloud computing platform Azure Stack in Saudi Arabia in partnership with Saudi-based Sahara Net and China's Lenovo, estimating the value of the market to be worth some \$29 billion.

The importance of Saudi money was seen in a visit this year by Crown Prince Mohammed bin Salman, seen as the effective power in the kingdom to Silicon Valley, where he met top executives from Google and Apple.

In his US visit, Prince Mohammed also went to Seattle where he met Microsoft founder Bill Gates and its CEO Satya Nadella, as well as Amazon founder and CEO Jeff Bezos.

For Bezos, the relationship with Saudi Arabia is complicated. His company operates the Souq ecommerce platform in the kingdom, but he personally owns the Washington Post newspaper, for which Khashoggi was a contributor and which has made repeated calls for information about the missing writer.

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