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Insights

AI State of Play – Summer 2025

Key Takeaways

- **Distinct regulatory markets are emerging across major jurisdictions:** The U.S. pursues deregulation via the AI Action Plan, Europe enforces statutory frameworks through the AI Act, and China emphasizes industry self-regulation with state oversight.
- **AI supply chains are beginning to diverge into politically-aligned ecosystems:** U.S. retooling of its AI diffusion rule and Beijing's multilateral approach signal deepening fragmentation, with intensified AI diplomacy expected as both powers seek to expand their technological spheres of influence.
- **Middle East and Southeast Asia have become critical theaters for U.S.-China AI competition:** These regions' sovereign AI initiatives and neutral positioning create new vectors for technological influence projection that will determine AI ecosystem adoption in developing markets.
- **Corporate restructuring is accelerating as firms prioritize AI capabilities:** Tech Giants are conducting mass layoffs in non-AI functions while offering unprecedented compensation to attract top AI talent and investing billions in infrastructure as the race toward AGI intensifies.
- **Energy access is now a competitive battlefield for AI firms:** With electricity costs rising 20% in major grid regions, Silicon Valley is committing billions to secure long-term power contracts as energy becomes the primary constraint on AI infrastructure expansion.

As the summer nears its end, we see clearer signals on how key governments will support AI development and pursue divergent strategies. The U.S. is pushing deregulation under the Trump administration's AI Action Plan to accelerate innovation, expand compute infrastructure, and export a unified "American AI stack," positioning U.S. vendors for rapid federal procurement wins while downplaying new regulatory frameworks. China is recalibrating industrial policy toward high-quality growth by curbing inefficient data center projects, concentrating capital on semiconductor bottlenecks, and supporting open-source/weight AI model development, which could expand Chinese firms' share in Global South markets. Europe is doubling down on its risk-based regulatory framework via the EU AI Act and Code of Practice, while investing heavily in compute sovereignty through initiatives like the €20B AI gigafactory plan and national expansions in the UK, France, and Germany. Together, these moves highlight a three-way race: U.S. deregulation and industrial mobilization, China's consolidation and open-source innovation, and Europe's governance and sovereignty-driven investments.

Trump Administration Unveils AI Action Plan Designed to Ensure U.S. Dominance

On July 23, the Trump administration unveiled the long-awaited AI Action Plan, a blueprint outlining the Trump administration's strategy to "win the global AI race." Commissioned via Executive Order 14179 in January, the plan delivers 90 policy recommendations to be pursued over the next 6–9 months, structured around: (1) accelerating innovation via regulatory dismantling; (2) building domestic AI infrastructure with streamlined energy project permitting; and (3) leading international AI diplomacy while countering Chinese influence.

[CH1]I don't mind as long as it's consistent

Pillar I tasks the Office of Science and Technology Policy (OSTP) and Office of Management and Budget (OMB) with a Regulatory Dismantling Initiative to repeal rules hindering AI development, potentially lowering compliance costs for U.S. firms and expediting time-to-market. It empowers the Federal Communications Commission (FCC) and Federal Trade Commission (FTC) to challenge state-level regulations, and directs National Institute of Standards and Technology (NIST) to remove references to misinformation, DEI, and climate change from its AI Risk Management Framework. Pillar II accelerates AI infrastructure by fast-tracking data center approvals via FAST-41 extensions and NEPA categorical exclusions and integrates AI into semiconductor policy through the Department of Energy's (DOE) PermitAI program to automate reviews and support CHIPS Act funding. This could unlock faster deployment cycles for hyperscale data centers and semiconductor fabs. Pillar III focuses on advancing the U.S. AI stack abroad via coordinated export packages from Department of Commerce (DOC), Export-Import Bank of the United States (EXIM), U.S. Trade and Development Agency (USTDA), and U.S. International Development Finance Corporation (DFC), while tightening controls on adversarial R&D access — primarily targeting China. Export financing could directly boost U.S. integrators and consulting firms in emerging markets.

Three accompanying executive orders operationalize these priorities. The first aims to prevent so-called "woke AI" in federal procurement by mandating adherence to principles of "truth-seeking" and "ideological neutrality." The second establishes the American AI Exports Program to promote full-stack AI proposals abroad. The third directs the Council on Environmental Quality to streamline the permitting process for data centers, addressing infrastructure bottlenecks critical to supporting AI development and deployment. Commerce Secretary Howard Lutnick simultaneously rebranded the U.S. AI Safety Institute as the Center for AI Standards and Innovation (CAISI), restructuring its mission to focus less on safety and more on competitiveness and to shape global standards to be more favorable to U.S. firms.

Meanwhile, Washington's decision to ease export restrictions on Nvidia H20 and AMD M3180 GPUs to China — part of a broader "mosaic" trade deal on rare earths — has spurred debate. Proponents see short-term revenue gains; critics warn of eroding U.S. tech lead. President Trump, swayed by David Sacks and Nvidia CEO Jensen Huang, approved sales of up to 1M inference-ready GPUs to China. ***Chinese cybersecurity officials, alarmed by U.S. talk of embedding tracking capabilities in advanced GPUs, summoned Nvidia in late July. Such measures could trigger Chinese retaliation in cloud services or rare earth supply.***

Beijing Seeks Leadership on AI Safety and Deployment as Domestic Challenges Remain

China unveiled its own AI Action Plan during the World AI Conference (WAIC) in Shanghai in late July, just days after the White House released the U.S. plan. Many of the core elements in China's proposal closely mirror those in the U.S. plan, including efforts to accelerate the development of digital infrastructure, promote supply of high-quality data, encourage open-source systems, and expand AI deployment across the public sector. By framing AI as a global public good — particularly for the Global South — China positions its plan as inclusive and multilateral, in contrast to the more exclusive and strategic orientation of the U.S. effort.

It also incorporates key pillars of China's domestic "AI Plus Initiative," prioritizing AI application across sectors including manufacturing, consumption, healthcare, education, and agriculture.

At the conference, the China Academy of Information and Communications Technology (CAICT) and the Artificial Intelligence Industry Alliance (AIIA), in collaboration with Tsinghua University, Shanghai AI Laboratory, the China Center for Information Industry Development, and others, also released the "China AI Safety Commitment Framework." Building on AIIA's original December 2024 "AI Security and Safety Commitment," the new framework introduces expanded provisions aimed at enhancing international cooperation in AI safety governance and addressing risks associated with frontier AI. In parallel, a second cohort of five companies signed onto the original December 2024 commitments, joining the initial group of 17 Chinese firms and bringing the total to 22 signatories. Of these, 18 firms publicly disclosed their internal compliance practices at the conference. While questions remain about the substantive rigor of these commitments, the push for greater transparency marks a notable step toward building credibility. **Looking ahead, firms will be expected to provide more concrete evidence of AI safety implementation, particularly in areas such as chemical, biological, radiological, and nuclear (CBRN) threats, cybersecurity, and autonomous systems.** This may take the form of system cards or technical reports that reflect at the minimum some level of testing and alignment.

Beijing's initiative also constitutes a soft power maneuver, aimed at boosting global receptivity to Chinese AI products and services within a market projected to reach \$4.8 trillion by 2033. Chinese firms already offer cost-effective and competitive solutions — even as the U.S. retains dominance in high-end AI hardware and development of the most advanced models. As early as 2023, Beijing introduced the Global AI Governance Initiative, promoting a people-centered approach to AI development. In July 2024, the 78th UN General Assembly unanimously adopted a resolution proposed by China and co-sponsored by over 140 countries, calling for enhanced international cooperation in AI capacity building.

Europe Rolls Out Code of Practice on AI in Attempt to Seize Regulatory High Ground

Despite mounting pressure from industry groups representing major U.S. tech companies and 45 European firms calling for a two-year "clock-stop" on enforcement, EU tech chief Henna Virkkunen reaffirmed the Commission's commitment to the AI Act's timeline. The Act's phased rollout began Aug. 1, 2024, with general-purpose AI (GPAI) model rules finally taking effect on Aug. 2, 2025, imposing still voluntary but strict transparency requirements including training data documentation, copyright compliance, and bias testing. Advanced models deemed to pose "systemic risks" face additional obligations including risk assessments, adversarial testing, and mandatory incident reporting.

On July 10, the European Commission published the GPAI Code of Practice covering Transparency, Copyright, and Safety & Security (the latter for "systemic risk" models like ChatGPT, Llama, Gemini). Signatories enjoy "presumption of conformity" with the AI Act. OpenAI, Anthropic, and Mistral signed, citing balance between safety and innovation; Meta refused, warning of overreach.

Microsoft and Google signaled intent to sign but noted possible innovation slowdowns. Political and corporate leaders (e.g., Swedish PM Kristersson, Siemens CEO Roland Busch) warn overlapping rules could undermine competitiveness. Chinese firms with EU presence, such as DeepSeek, are weighing participation. ***The risk for Europe: regulatory capture and innovation flight; the opportunity: exporting governance standards globally.***

Tech Giants Restructure for AI Supremacy

This summer also witnessed unprecedented corporate restructuring as major technology companies concentrated resources on AI capabilities. Meta exemplified this trend by acquiring Scale AI for \$14.3 billion, launching Meta Superintelligence Labs, and offering \$10 to \$100 million compensation packages to attract top researchers while simultaneously cutting 4,000 jobs in non-AI functions. The company's CEO Mark Zuckerberg pledged hundreds of billions for the Prometheus and Hyperion AI data centers, signaling long-term commitment to infrastructure leadership. OpenAI expanded its cloud partnerships and committed to 4.5 gigawatts of new data center capacity under its \$500 billion Stargate initiative, while also exploring potential UK expansion to diversify geographically. xAI raised \$12 billion to specifically acquire 780,000 Nvidia GPUs, representing one of the largest single GPU procurement deals in history. Microsoft demonstrated the dual nature of AI transformation by saving \$500 million through call center automation while announcing further layoffs amid rising infrastructure spending. Google continued workforce reductions and voluntary buyouts while maintaining aggressive AI investment.

Silicon Valley players also moved aggressively to secure energy. At the Energy and Innovation Summit on July 15, CoreWeave committed \$6 billion to a Pennsylvania AI data center (100 megawatts initial, scalable to 300 megawatts). Blackstone pledged \$25 billion for data centers and gas plants with Pennsylvania utilities. Google signed a \$3 billion, 20-year hydropower deal with Brookfield, securing up to 3 gigawatts, alongside \$25 billion in regional data center investments. Meta contracted with Invenergy for 791 megawatts of solar and wind. Control over long-term energy supply is emerging as a core AI competitive advantage. RAND forecasts up to 347 gigawatts in AI-related demand by 2030 (high-growth scenario); Schneider Electric estimates 100 gigawatts if grids stabilize. PJM Interconnection, the largest U.S. grid operator, has already seen 20% electricity cost spikes this summer. Energy scarcity risk could cap AI growth, and firms may vertically integrate generation to mitigate these concerns.

Chinese Innovation Under Constraint

Chinese companies adapted to U.S. export controls through strategic pivots toward open-source development and architectural innovation. Huawei CEO Ren Zhengfei emphasized China's shift toward non-Moore's Law computing paradigms, with the company displaying its Cloud Matrix 384 cluster at WAIC. Their Cloud Matrix 384 cluster is positioned as competing with Nvidia's Blackwell-based NVL72 systems by increasing throughput by pioneering the use of optical interconnects. However, shortages of Huawei's 910C Ascend processors will limit the company's ability to scale production for Chinese cloud services and AI developers.

Leading Chinese platforms, including Alibaba, Baidu, Huawei, Moonshot AI, Zhipu AI, and RedNote, have released new open-source models utilizing mixture-of-experts architectures to maximize performance with limited hardware access. Despite DeepSeek's delay on the release of its new R2 model, China's open-source ecosystem matured rapidly, with top models rivaling GPT-4.1 and Claude Opus in mathematics, coding, and multimodal tasks. By late June, four of the five top-rated open-source models globally originated from Chinese companies.

The Middle East emerged as a critical gateway for Chinese expansion, with sovereign AI ambitions under initiatives like Saudi Vision 2030 and Dubai's Smart City agenda providing opportunities to showcase AI, cloud, and autonomous driving technologies. Southeast Asia, led by Singapore, offers neutral bases for AI startups like Manus AI seeking to escape dual pressures of U.S. export controls and China's hypercompetitive domestic landscape.

The Road Ahead

In the U.S., early implementation of the AI Action Plan will be a priority with the first moves under the American AI Exports Program allowing major AI data center deals with Saudi Arabia, Qatar and the UAE to move forward. In China, forthcoming announcements on accelerating the AI Plus initiative and MIIT's sector-specific stabilization measures will signal how Beijing plans to curb overcapacity while upping innovation. The potential release of DeepSeek's awaited R2 model could redefine competitive dynamics in China's open-source race. Meanwhile, the passing of the enforcement date for general-purpose AI rules under the EU AI Act on August 2 is expected to catalyze intense debate, with industries pushing for delays or clearer implementation guidance. How the European Commission manages this tension will set the tone for Europe's AI governance trajectory and determine its ability to once again establish the "Brussels Effect.". Additionally, cross-regional dynamics will bear close monitoring, particularly Chinese firms' aggressive push into the Middle East and Southeast Asia amidst the larger background of U.S. trade negotiations with China and in these regions. These developments will be closely watched for their potential to set regulatory, competitive, and geopolitical tones heading into the fall.

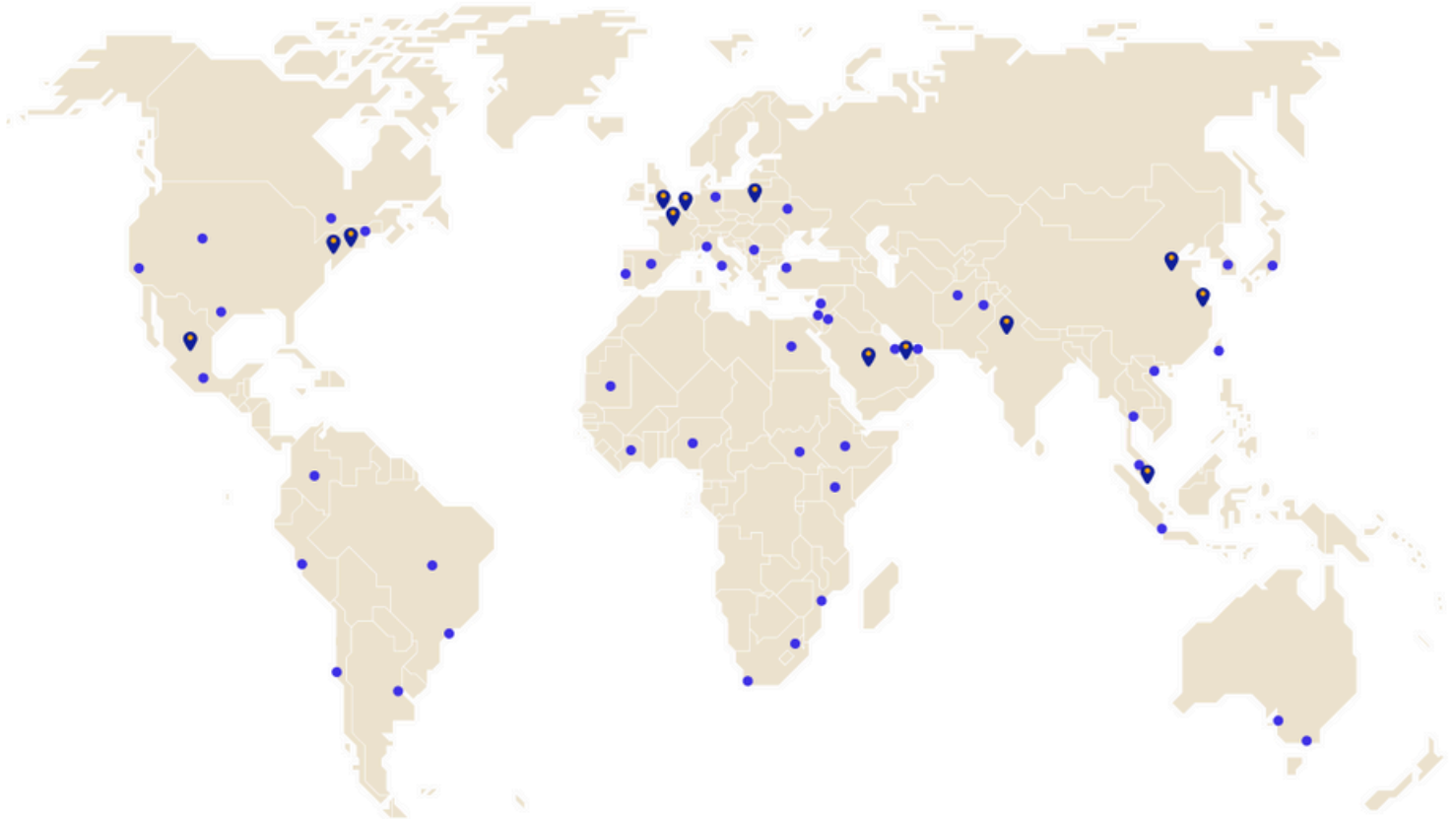
For more, see DGA-ASG [AI Decrypted 2025](#).

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