

# Trump warns of 'wake-up call' as low-cost Chinese AI jolts sector

AFP- Fears of upheaval in the AI gold rush rocked Wall Street on Monday following the emergence of a popular ChatGPT-like model from China, with US President Donald Trump saying it was a "wake-up call" for Silicon Valley.

Last week's release of the latest DeepSeek model initially received limited attention, overshadowed by the inauguration of Trump on the same day.

However, over the weekend, the Chinese artificial intelligence startup's chatbot surged to become the most downloaded free app on Apple's US App Store, displacing OpenAI's ChatGPT.

What truly rattled the industry was DeepSeek's claim that it developed its latest model, the R1, at a fraction of the cost that major companies are investing in AI development, primarily on expensive Nvidia chips and software.

The development is significant given the AI boom, ignited by ChatGPT's release in late 2022, has propelled Nvidia to become one of the world's most valuable companies.

The news sent shockwaves through the US tech sector, exposing a critical concern: should tech giants continue to pour hundreds of billions of dollars into AI investment when a Chinese company can apparently produce a comparable model so economically?

DeepSeek's apparent advances were a poke in the eye to Washington and its priority of thwarting China by maintaining American technological dominance.

Trump reacted quickly on Monday, saying the DeepSeek release

“should be a wake-up call for our industries that we need to be laser-focused on competing to win.”

He argued that it could be a “positive” for US tech giants, adding: “instead of spending billions and billions, you’ll spend less, and you’ll come up with hopefully the same solution.”

OpenAI chief executive Sam Altman said in a post on X that it was “legit invigorating to have a new competitor.”

He called DeepSeek’s R1 “an impressive model, particularly around what they’re able to deliver for the price,” and pledged to speed up some OpenAI releases.

The development comes against the background of a US government push to ban Chinese-owned TikTok in the United States or force its sale.

David Sacks, Trump’s AI advisor and prominent tech investor, said DeepSeek’s success justified the White House’s decision to reverse executive orders, issued under Joe Biden, that established safety standards for AI development.

The regulations “would have hamstrung American AI companies without any guarantee that China would follow suit,” Sacks wrote on X.

Adam Kovacevich, CEO of the tech industry trade group Chamber of Progress, echoed the sentiment: “Now the top AI concern has to be ensuring (the United States) wins.”

Tech investor and Trump ally Marc Andreessen declared “Deepseek R1 is AI’s Sputnik moment,” referencing the 1957 launch of Earth’s first artificial satellite by the Soviet Union that stunned the Western world.

“If China is catching up quickly to the US in the AI race, then the economics of AI will be turned on its head,” warned Kathleen Brooks, research director at XTB, in a note to

clients.

Microsoft CEO Satya Nadella took to social media hours before markets opened to argue less expensive AI was good for everyone.

But last week at the World Economic Forum in Davos, Nadella warned: “We should take the developments out of China very, very seriously.”

Microsoft, an eager adopter of generative AI, plans to invest \$80 billion in AI this year, while Meta announced at least \$60 billion in investments on Friday.

– ‘Outplayed’ –

Much of that investment goes into the coffers of Nvidia, whose shares plunged a staggering 17 percent on Monday.

The situation is particularly remarkable since DeepSeek, as a Chinese company, lacks easy access to Nvidia’s state-of-the-art chips after the US government placed export restrictions on them.

The export controls are “driving startups like DeepSeek to innovate in ways that prioritize efficiency, resource-pooling, and collaboration,” wrote the MIT Technology Review.

Elon Musk, who has invested heavily in Nvidia chips for his company xAI, suspects DeepSeek of secretly accessing banned H100 chips – an accusation also made by the CEO of ScaleAI, a prominent Silicon Valley startup backed by Amazon and Meta.

But such accusations “sound like a rich kids team got outplayed by a poor kids team,” wrote Hong Kong-based investor Jen Zhu Scott on X.

In a statement, Nvidia said DeepSeek’s technology was “fully export control compliant.”

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