

# Artificial Intelligence in China:

## Riding the Wave of China's Unstoppable AI Race

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# China's AI race: Seize opportunities early or watch others take the lead

## China's AI market is fast and unique



### Fast-growing China market

Estimated \$26 billion by 2026.

Abundant data and political support fuel growth.



### Dynamic players, strong by competition

Vibrant and fiercely competing startup scene.

Rich in talent and pushed by China's tech giants.



### Global ambitions

Politically backed expansion to global markets.

Applications with impact beyond China.



### Doors largely closed to foreign AI

Regulatory approval required.

Barriers increase with geopolitical tensions.

## MNCs need to stay ahead and ride the wave

### AI user industries

Stay ahead of **China-specific AI trends** in your industry.

Improve **products & customer service** with Chinese AI.

Know your **competitors' AI strategy** for third markets.

### AI & tech industry

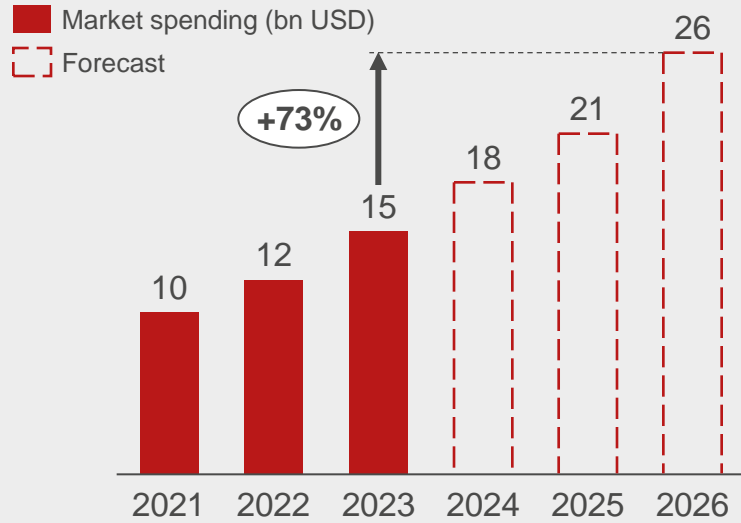
Get a foot in the **closing door** of China's AI market.

Harness China's **abundant data and innovative drive**.

Know your **future global competitors**.

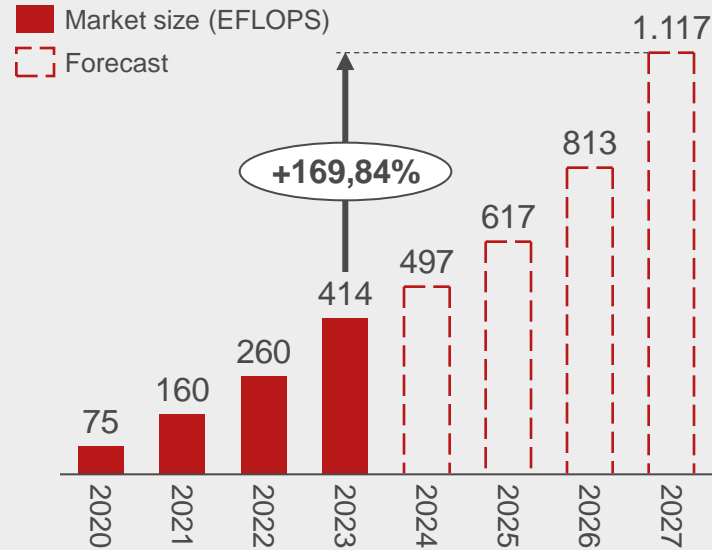
# Promising market potential: High growth, computing power and LLM number catching up

## China's AI market is growing at high speed



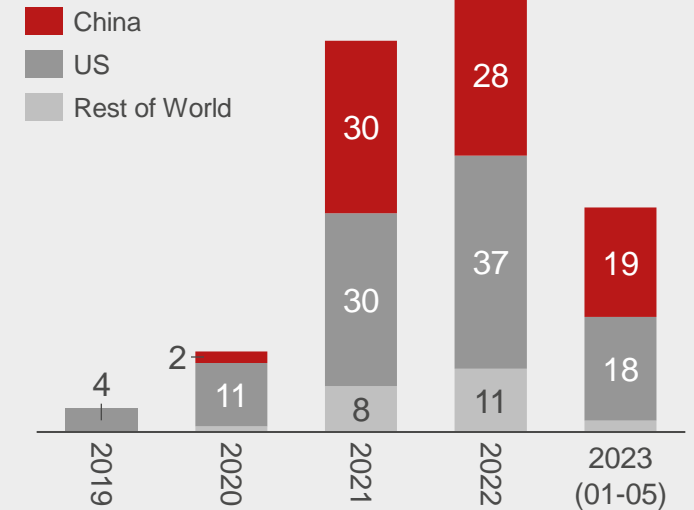
- China's AI market spending will grow **73%** to \$26B by 2026.
- Total AI investment rose 75% to **\$42B** from 2022 to 2023.
- Gen AI investment will reach \$13B by 2027, with an **86% CAGR**.

## Particularly high growth for AI computing



- China's AI computing power is projected to grow **170% by 2027**, reaching 1,117.4 EFLOPS.

## China catching up with US in number of LLMs



- By May 2023, China had released at least **79 large language models (LLMs)** with over 1 billion parameters, compared to 100 in the US.

Sources: International Data Corporation (IDC), 2023; Institute of Scientific and Technical Information of China

# Perfect seeding ground for AI: Rich data resources and rapid commercialization

## China excels in AI data and application

## China provides significant advantages for AI development

**Artificial Intelligence:** China is challenging US' lead in AI development



Comparison: AI Competitiveness US/ CHINA/ EUROPE	ABSOLUTE			AVERAGE PER CAPITA		
	US	CN	EU	US	CN	EU
TALENT	6.7	2.1	6.2	8.4	0.9	5.8
RESEARCH	7.2	4.1	3.7	8.9	2.3	3.8
DEVELOPMENT	15.5	4.1	5.4	19.2	1.2	4.6
ADOPTION	1.0	7.7	1.3	2.9	4.7	2.4
DATA	8.0	11.6	5.3	11.0	7.9	6.1
HARDWARE	6.3	2.3	1.4	7.7	0.8	1.5
TOTAL SCORE	44.6	32.0	23.3	58.0	17.8	24.2
RANK	1	2	3	1	3	2

● Highest score ● Median score ● Lowest score

Source: ITIF

### ◆ Abundant data for AI training

China's large population enables extensive data collection, enhancing AI capabilities.

### ◆ Fast commercialization

China excels in AI commercialization by leveraging abundant data and rapid go-to-market applications.

### ◆ Policy support

The central leadership views AI as a key future growth driver. Local governments provide subsidies to attract investments.

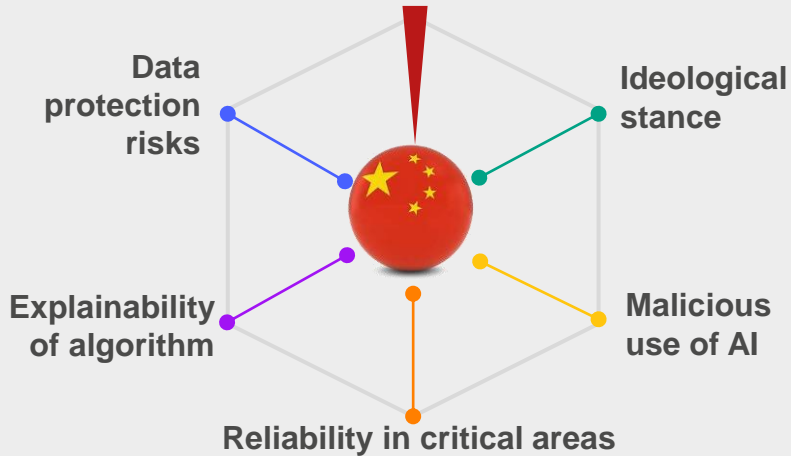
### ◆ Strong local partners for vertical AI

Chinese tech firms and AI startups focus on vertical AI applications. They present strong partnership opportunities for MNCs in China.

# Difficult market entry: A strictly regulated market under geopolitical pressure

## Ideology triggers state control

### Chinese government's perception of AI risks



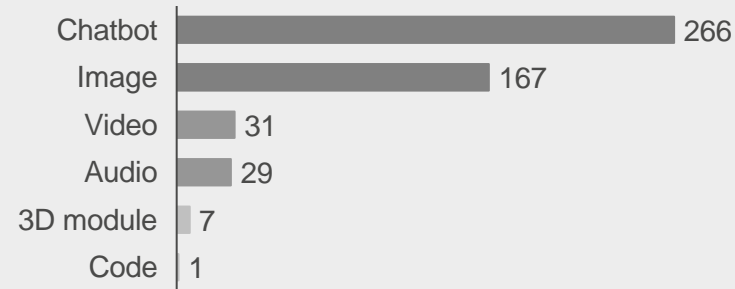
### Strict ideological control

AI-generated content is politically required to **adhere to "core values of socialism."**

Generative AI service providers are required to screen their training data and **filter out "illegal and harmful information."**

## High political ambitions & restrictive market access

### Number of AI models approved for public use ! No foreign AI models approved to date !



### Complicated regulatory procedures

China aims to become a **global leader in AI by 2030.**

To control market access, China's AI regulations **require security assessments** and **pre-market filings.**

## US-China tensions accelerate AI decoupling



- The US sees AI from a perspective of heightened **national security.**
- To **contain China's AI development**, export controls on advanced chips and chipmaking inputs are being used extensively.



- China is pushing even harder for **self-sufficiency.**
- Reinforcement of **market access control.**
- Pushing for **global presence** of Chinese AI firms in third markets.

### A decoupling AI market

China's AI market is **decoupled from the US/EU.**

As geopolitical tensions rise, **market access opportunities for foreign players diminish.**



# Unique AI ecosystem: China's AI players are competitive and have global ambitions

## China's AI players: Dynamic, interconnected and fiercely competitive



### Talent-rich research institutes

Trailblazers in AI R&D and breeding grounds for AI talent and startups.



### Tech-giant investments

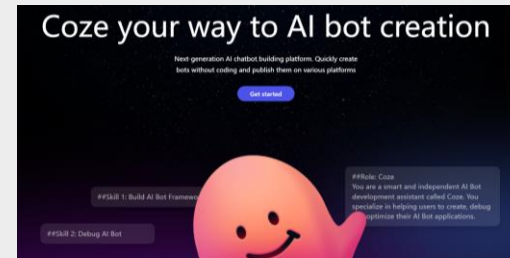
Leading in AI investment with a focus on in-house development and application.



### Dynamic AI start-ups

Racing for industry leadership in a highly competitive environment.

## Overseas ambition: Eying a share in global AI markets



### Overseas expansion

Chinese tech companies are targeting the global AI market, exemplified by ByteDance's launch of various AI products internationally.



### Political support

The Chinese government encourages Chinese AI firms to "go overseas" and pledges policy support.



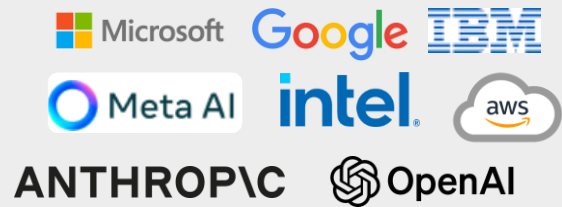
### US-CN tech war as a challenge

Bottlenecks in AI chipmaking are difficult to overcome as the US steps up chip controls.

# Strategic positioning: MNCs need targeted AI strategies and business plans for China



## AI & Tech Industry\*



## AI User Industries\*



### CHALLENGES

### OPPORTUNITIES

#### Global competition

Compete with China's AI in global markets.

#### Tech misuse prevention

Prevent misuse of AI in sensitive areas in China.

#### Complex AI landscape

Identify suitable local partners and new competitors.

#### Product development

Adjust your product to China-specific AI trends.

#### Regulatory compliance

Navigate China's AI and data regulations.

#### IP protection

Protect your IP in China. Detect IP misuse.

#### Local competition

Stay competitive in China by utilizing AI.

#### Customer/consumer service

Meet the specific demands of Chinese consumers.

#### Learn from China

Analyze and learn from China's AI business models.

#### AI training

Make use of China's abundant data.

#### AI investment

Make use of investment options.

#### Product innovation

Improve & localize your products & customer service.

#### Partnership

Partner with Chinese AI firms for China and global.

#### R&D localization

Localize your R&D and make use of Chinese AI.

#### Efficiency gains

Improve operational efficiency in China with Chinese AI.

#### Global synergy

Develop AI-powered solutions in China & export globally.

\*exemplary selection of relevant companies

# Sinolytics services: We help you to ride China's AI wave

## Market intelligence

- Analyze innovation trends, market dynamics, stakeholders, and strategies.
- Identify opportunities and risks in R&D, market and product development.
- Conduct market and policy analysis for AI deployment planning.

## Partner scouting and assessment

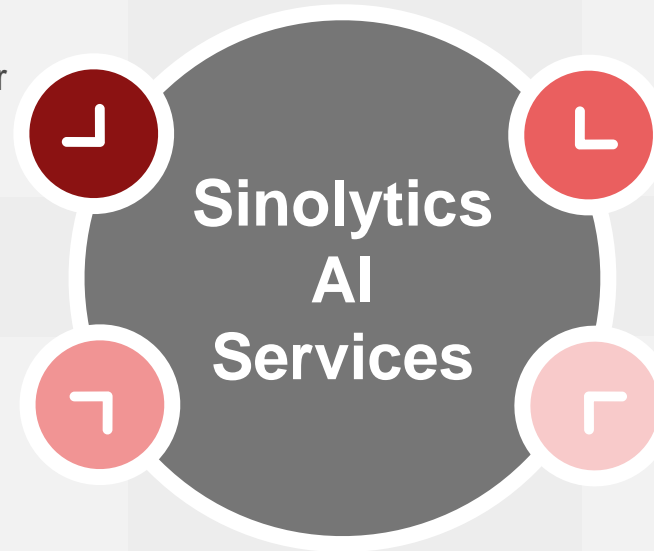
- Identify and evaluate suitable local AI partners.
- Assess political and business risks of potential partners.
- Facilitate partnership design, approach, negotiations.

## Competitor analysis

- Analyze Chinese competitors, including profiles, overseas strategies, and political support.
- Design targeted response strategies, covering priorities, market positioning, and government affairs.

## Regulatory strategy design

- Analyze the impact of China's AI regulations.
- Map regulatory risks based on current and evolving trends.
- Develop strategies and action plans for risk mitigation.
- Monitor policies and regulations regularly.





# Sinolytics advantages: At the nexus of policy, technology and business

1

## Immediate technology trend detection

Sinolytics monitors **technology, policy, and market shifts** in China's AI ecosystem on a daily basis, enabling clients to move quickly, seize commercial opportunities while minimizing risks.

2

## Deep experience on China analysis

Sinolytics' team has **decades-long experience** in analysis, interpretation and forecasting of China's unique economic, technological, regulatory, social, and (geo-)political context.

3

## Emerging technology expertise

Sinolytics' focuses on **emerging technologies**, assessing China's unique tech ecosystem not only from a policy and market perspective, but also based on a deep understanding of technology.

4

## Tailor-made services

Sinolytics' services are **highly tailored to precise needs** and requirements of our clients. We do not offer generic insights or broad-stroke analysis but are dedicated to targeted problem-solving.

5

## Close client interactions

Sinolytics always dedicates an **experienced, senior team** to the client and ensures flexible reaction to clients needs through close exchange and dynamic adjustment.

6

## Track record

Sinolytics has a proven track record in providing analysis, monitoring, forecasting and strategy advice **for 100+ renown US and European MNCs from various industries.**

# Sinolytics: A European research-based consultancy focused on China

## Profile

- Offices in **Berlin** and **Beijing**
- Nexus between **policy and business**
- Blending **in-depth research** with **management consulting** approach
- Bridgebuilders: **Diverse team** with European & Chinese perspectives
- Advising companies **across sectors** with focus on automotive, pharma, machinery, energy, chemicals, semiconductors
- **100+ clients**, including many of the largest and most respected foreign companies operating in China
- Founded in 2017

## Key services

### Strategy Building

- China strategy development, strategic positioning, Chinese competition globally

### Trend detection

- Continuous, tailored technology, policy and regulatory monitoring, trend forecasting

### Regulatory Strategy

- Regulatory risk assessment and strategy for Data-/Cybersecurity, Artificial Intelligence

### Market Analysis

- Market intelligence for automotive, chemicals semiconductors, pharma, machinery, etc.

### Geopolitical Advisory

- Geopolitics monitoring & forecasting, scenario building, impact assessment and mitigation

### Supply Chain

- Definition of critical supplies, mapping tier-X supply chains, delivery failure assessment

## Approach

**Primary source and Chinese-language research**

**Problem-solving and developing tailored solutions**

**Dedication to deep research, cutting through complexity**

**Depth in content, while strong in contextualization**

**Extensive expert network and research partners**

