CLIENT ALERTS & INSIGHTS

China Finalizes New AI Rules as the Global Race to Regulate AI Intensifies

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As China pledges to become the world leader of artificial intelligence (AI) by 2030, it is charging ahead by implementing its own comprehensive AI rules, investing heavily in the technology and receiving sizable foreign funding for its AI efforts. The authoritarian state's swift progress comes as the European Union (EU) has already approved sweeping draft legislation to regulate AI. Meanwhile, the United States and the United Kingdom attempt to catch up by drafting goals and guidelines for the rapidly developing technology.

Beginning Aug. 15, 2023, China's first round of generative AI regulations are set to go into effect. The regulations apply to generative AI technology companies that offer AI services to the public. Public AI providers, such as OpenAI, which developed ChatGPT, must first obtain a license to operate in China. Once a license is secured, the providers must perform periodic security assessments of their platforms, register algorithms that can influence public opinion and confirm that user information is secure. They are also mandated to take a strict stance on "illegal" content by stopping the generation of it, improving the algorithm and reporting the illegality to the relevant state agencies. Illegal content includes content that infringes on the intellectual property rights of others. Additionally, the rules state that AI providers must protect China's national security by abiding by the country's "core values of socialism." How they must do so remains unclear though.

Prior to China's generative AI rules, the country implemented regulations surrounding deep-synthesis technology, which is an AI-based model that produces highly realistic, yet sometimes fake, outputs. Individuals can use such outputs to disseminate false or illegal content or assume other people's identities to commit fraud. The deep-synthesis regulations, which went into effect in early 2023, are also directed at AI providers. It is the responsibility of such providers to watermark generative AI outputs to clearly indicate AI-generated content. Providers must also ensure that fake news is not disseminated, and they must obtain consent from individuals whose personal features, such as faces and voices, are utilized in a deep synthesis system.

In 2022, China began enforcing rules that restrict the use and misuse of recommendation algorithms. Recommendation algorithms are created by AI, and they are trained to look at previous online user behavior to suggest something new to the user. Mirroring the other AI provider rules, the rules prohibit recommendation algorithm service providers from generating and spreading false, illegal and/or harmful content online. They also state that the technology cannot be used to influence public opinion or engage in monopolies or unfair competition. Furthermore, protocol includes the use of a state-run, online algorithm registry, which is reiterated in China's generative AI regulations. Developers, whose algorithms influence public opinion, must share how their algorithms are trained and used by inputting the information into the registry.

While China is taking the global lead on implementing AI governance within its own nation-state, the country is also signaling a tolerant approach to AI innovation. Its generative AI rules state that it places equal importance on AI development and security while early drafts made no mention of the relevance of technological growth. And, there is no longer reference to specific monetary punishments for AI providers that don't abide by the country's generative AI rules.

Meanwhile, Chinese AI companies are attracting billions of dollars in investments while the Chinese government is heavily backing AI research and development. According to a report from Georgetown University's Center for Security and Emerging Technology (CSET), U.S. investors accounted for nearly one fifth of investments in Chinese artificial intelligence companies from 2015-2021. The money originated from various U.S. sources, including the investment arms of Intel Corp and Qualcomm. Looking ahead, the Chinese government is expected to spend $27 billion on AI by 2026, which is more than double its current annual investment.

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