

SPOTLIGHT REPORT

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AI Under Trump 2.0

What's Happening: Breaking with former President Biden's approach to AI, President Trump has charted a new course in regulating the emerging technology.

Why It Matters: The [release](#) of a new AI model, R1, from Chinese AI company **DeepSeek** that is reportedly a peer of **OpenAI**'s most advanced large language model (LLM) at a much lower cost has taken the tech world by storm. DeepSeek holds that its open-source product is [equivalent](#) to o1, the latest model made available by OpenAI in December, while the Wall Street Journal [reported](#) that the company says to have spent only \$5.6 million. Some have [raised doubts](#) about DeepSeek's assertions, but it is nevertheless a milestone in US-China tech competition. Marc Andreessen [took](#) to X to call it "AI's Sputnik moment." **For the Trump administration, this development dovetails with the president's [new AI executive order](#) (EO) centered on US competitiveness, enacted last week.** White House AI and crypto czar David Sacks was quick to cite OpenSeek as a justification for replacing Biden's AI EO, with its focus on AI risks and safety, with Trump's new approach. "DeepSeek R1 shows that the AI race will be very competitive and that President Trump was right to rescind the Biden EO, which hamstrung American AI companies without asking whether China would do the same. (Obviously not.)," he [said](#) on X. This viewpoint suggests that he sees tradeoffs between US global AI leadership and safety guidance of the type promoted by Biden. **The DeepSeek release could also bring AI to the fore in Congress.** The 119th Congress is still in early stages but AI has not emerged as a major topic thus far, and lawmakers missed an opportunity to pass legislation on the topic during the lame duck session.

What's Next: Trump's AI order outlined a vision for federal AI policy but left the substance to be filled in later in an AI action plan to be completed in 180 days. Sacks is one of the officials tapped by the EO to participate in developing this policy blueprint, which will likely be shaped by his views of AI safety. Congress is slow to act, and in the short term, major AI legislation is more likely to advance on the state level than the federal level.

Executive Branch Outlook

From the start of his term, President Trump has set out to reshape federal AI policy. On his first day back in the White House, Trump [revoked](#) former President Biden's 2023 AI executive order (EO), which had established the AI Safety Institute and guidelines for managing AI risks. **Last week, Trump replaced Biden's EO with his own, which [focuses](#) on US competitiveness in AI.** The document states that the goal of US AI policy is "to sustain and enhance America's global AI dominance in order to promote human flourishing, economic competitiveness, and national security." The short EO does not address AI safety, and it notes that "we must develop AI systems that are free from ideological bias or engineered social agendas." AI-associated discrimination was a focus of the Biden administration's approach on AI. Trump's EO does not mention it.

Trump's actions since taking office so far indicate two top issues when it comes to AI: supporting US innovation to compete with China and increasing energy production for AI companies. His EO outlined the first objective. He's also laid down a marker for the second. In remarks addressing the World Economic Forum in Davos, Switzerland, the president said that he would leverage his energy emergency declaration to boost electricity production to meet the demand from AI data centers. "And the big problem is we need double the energy we currently have in the United States — can you imagine? — for AI to really be as big as we want to have it," he [said](#). "So, I'm going to give emergency declarations so that they can start building them almost immediately." In particular, Trump advocated colocation, an arrangement by which the data centers can take electricity directly from the source rather than the grid. "We're going to make it so that the plants will have their own electric generating facilities attached right to their plant. They don't have to worry about a utility," Trump stated. This may be more challenging to execute than declaring an energy emergency with the stroke of a pen, however. In November, the Federal Energy Regulatory Commission (FERC) [rejected](#) a colocation proposal for an **Amazon (AMZN)** data center and a **Talen Energy (TLN)** nuclear plant in Pennsylvania. Trump-appointed FERC acting Chair Mark Christie joined in that decision. These are not new priorities for Trump. In an appearance on Logan Paul's podcast on the campaign trail last year, Trump [said](#), "we have to take the lead over China" on AI and said that the United States will need to increase energy production to meet the electricity needs of AI computing.

Trump's EO is light on policy specifics and directs staff to draft an AI action plan within 180 days, which is likely to provide greater detail on what Trump plans to do about AI and how he may address AI risks, if at all. The action plan is the responsibility of the special advisor for AI and crypto, David Sacks; the assistant to the president for science and technology, Michael Kratsios; and the national security advisor, Mike Waltz; among others. **Many of Trump's top aides have ties to the tech industry, putting Silicon Valley figures in the driver's seat on AI regulation.** Longtime tech investor Sacks co-founded **PayPal (PYPL)** and the venture capital firm Craft Ventures, while Kratsios, after serving in the first Trump administration, worked as managing director of **Scale AI**. In a second EO, Trump [established](#) the President's Council of Science and Technology Advisors to seek perspectives from experts in sectors outside government, such as industry and academia. This creates another opportunity for Silicon Valley to catch the president's ear on AI. **The fate of the National AI Research Resource (NAIRR) and**

the US AI Safety Institute are up in the air following Trump's revocation of Biden's EO. That order created a NAIIR pilot and set up the AI Safety Institute within the Department of Commerce. Trump's EO directed agencies to roll back initiatives from Biden's AI EO. In this environment, the NAIIR may be of greater interest to the Trump administration given the pilot's support of AI research and development, while the AI Safety Institute may be seen as more of a hindrance to innovation.

The DeepSeek R1 response will likely serve to deepen the Trump administration's focus on US competitiveness in AI. In remarks to reporters yesterday, Trump [said](#) that "the release of DeepSeek AI from a Chinese company should be a wake-up call for our industries that we need to be laser focused on competing." Even as DeepSeek reinforces for some the importance of strengthening the US position in competition with China, it may also raise questions about getting bang for the buck when it comes to US investment in AI. Trump also addressed this point, expressing a hope that "instead of spending billions and billions, you'll spend less, and you'll come up with, hopefully, the same solution."

Prior to DeepSeek, Trump presided over a major planned infusion of cash in domestic AI development, underlining his administration's commitment to supporting the private sector. Last week, the White House announced a [joint venture, Stargate](#), to invest at least \$100 billion in infrastructure to power AI, deepening Trump's commitment to supporting US tech companies in AI innovation (although Stargate has been in development already for several months). **OpenAI, Oracle (ORCL), and SoftBank (SFTBY)** are contributing, and private sector investments in Stargate [could amount to as much as](#) \$500 billion over four years to construct data centers and other AI infrastructure projects. In a media briefing, Trump emphasized that he would use his authority to allow Stargate to generate its own electricity. Within hours, however, [Elon Musk](#) took to X to publicly question the project's viability, alleging that the tech companies do not have the funds to follow through on their intended investment. Musk has feuded with OpenAI CEO Sam Altman in the past and the White House's partnership with Altman's OpenAI was a blow to Musk, who leads rival AI firm **xAI**. **Musk's attacks on Stargate are not likely to jeopardize his close ties with Trump at this time, but future breaks with the White House risk straining his relationship with the president, who is known for placing high value on loyalty.** Trump [said](#) in response to a reporter's question last week that Musk's reaction didn't bother him.

The episode also raises questions about potential rivals to Musk in having the president's ear on AI. From his perch at the Department of Government Efficiency (DOGE) following his support of Trump's campaign, Musk seemed to be in line to have significant influence in the Oval Office. **Altman's star now appears to be rising in Trump's world.** Once a vocal Trump opponent, Altman has taken steps to strengthen his relationship with the president. He [donated](#) to the inaugural committee and recanted his previous position in a post on X last week. "Watching @potus more carefully recently has really changed my perspective on him (i wish i had done more of my own thinking and definitely fell in the npc trap). i'm not going to agree with him on everything, but i think he will be incredible for the country in many ways!" he [said](#). This puts Altman in company with many who have reversed their stances on Trump, a show of loyalty that the president is

prone to appreciate. Altman not only stood with Trump at the Stargate announcement at the White House but also attended the inauguration in the Capitol Rotunda. During the Stargate press conference, Trump [praised](#) Altman as “by far the leading expert based on everything I read.” Today, OpenAI [announced](#) a new version of its popular AI model, ChatGPT Gov, for federal agencies, which could allow Altman to encroach on Musk’s DOGE turf of efficiency and IT modernization.

Federal Legislative Outlook

The DeepSeek release also puts the AI ball back in Congress’ court. Congress has been fairly quiet on the AI front in recent weeks with budget reconciliation, FY25 spending, and the debt limit dominating bandwidth. DeepSeek could prompt congressional leadership to pay greater attention to AI, but the 119th Congress differs from the 118th when it comes to AI in a significant way. Last Congress, then-Senate Majority Leader Chuck Schumer (D-NY) took a major interest in AI and personally led the chamber’s approach. He’s now the minority leader and thus wields much less influence. New Senate Majority Leader John Thune (R-SD) served on the Commerce Committee, so he isn’t unfamiliar with technology, but he hasn’t engaged with AI to the same degree as his predecessor. It’s not totally clear who, if anyone, will fill Schumer’s shoes in quarterbacking AI policy on Capitol Hill, and without a dedicated champion (particularly one in leadership), momentum could slow. Rep. Jay Obernolte (R-CA), chairman of the bipartisan House AI task force, is a major voice on the issue but is not in leadership.

Thune told Politico this week that DeepSeek was “a wake-up call for us that we’ve got to step up our game” but it’s unclear what, if anything, Congress will do. In a floor speech, Schumer [said](#) that he “hope[s] our bipartisan efforts on AI, which made some progress last year, will continue, and even in a more robust way, this year.” Schumer previously told Politico that he was collaborating with the other side of the aisle on AI legislation. “We’re working with our Republican colleagues to try and have good, good legislation that allows innovation in AI, but has safeguards to prevent the very bad things from happening,” he said last week. **The House AI task force’s report, [issued](#) in December, could provide a road map for action in the 119th Congress but does not back any specific legislation.** Obernolte and Co-Chair Ted Lieu (D-CA) wrote in the report that it “balances the need to promote vibrant AI innovation while safeguarding Americans from potential harms.” The report advocated for an “algorithm-informed” rather than “algorithm-based” approach to integrating AI in federal agency decisions and stressed transparency. It also suggested blocking state legislative action on AI during a “learning period” and promoted sector-by-sector AI governance over a comprehensive overarching set of rules.

Both the NAIRR and AI Safety Institute enjoy bipartisan support in Congress. The CREATE AI Act, which would codify the NAIRR, passed committee votes in the [House](#) and [Senate](#) last year. The Senate Commerce Committee also [voted](#) for a bill to codify the AI Safety Institute. The House Science Committee voted for a bill that would have established an agency with a different name but similar purpose. It’s possible that lawmakers could rebrand the AI Safety Institute as something new and give Trump credit, but the White

House's decision to de-emphasize AI safety could put the initiative at risk. While the Trump administration's priority may be supporting innovation in competing with China, there is still likely to be some appetite from lawmakers for AI safety measures. It's an open question of what those may look like in the Trump era though.

DeepSeek R1 is also likely to renew the conversation about export controls for AI technologies. In the final days of former President Biden's term, his administration [proposed](#) export controls on chips used for AI applications. House China Select Committee Chair John Moolenaar (R-MI) told Punchbowl News yesterday that he thought "stronger export controls" were needed in the wake of DeepSeek R1.

State Legislative Outlook

Congress is generally slow to move on technology, including AI, leaving state legislatures to fill the gap. Most state legislative sessions began this month, meaning that any AI legislation is still in early stages, but there is potential for significant legislative progress. **A patchwork of state laws creates compliance challenges for businesses, and depending on the size of the state, that state's law could set a de facto national standard.** Perhaps the most notable proposal to watch this year is Texas state Rep. Giovanni Cariglione's (R) comprehensive [bill](#) to regulate AI. The measure would require that those who develop and those who deploy AI tools take "reasonable care" to shield consumers from discrimination, ban the use of social scores, and give consumers the right of transparency with high-risk AI, the right of appeal for decisions made by AI tools, and the right to block sales of their personal information for AI training. It would also establish a regulatory "sandbox" for AI R&D. **The Connecticut state senator behind last year's unsuccessful comprehensive AI bill is back with a narrower version.** State Senator James Moroney's (D) [proposal](#) would mandate transparency for users' interactions with AI systems, create workforce AI training programs, and ban deepfake pornography. His first effort fell victim to a [veto threat](#) from Governor Ned Lamont (D-CT), and it's possible that a more limited scope could earn the governor's support.

While few states are considering comprehensive AI bills thus far, there is a pattern of legislation addressing algorithmic discrimination across multiple states. Democrats in [Hawaii](#), [Massachusetts](#), [New Mexico](#), [New York](#), and [Virginia](#) have introduced bills on this topic, and California Assemblymember Rebecca Bauer-Kahan (D) [told](#) Pluribus News last month that she plans to reintroduce her legislation on AI discrimination in employment, housing, and lending again this session (it failed in previous years). The Virginia measure passed a narrow Democratic-controlled committee vote yesterday but will require the support of Republican Governor Glenn Youngkin to become law. Pluribus News has also [reported](#) that other topics of legislation in the works but not yet introduced include measures to impose liability for harms by AI systems (in various states) and regulate frontier models (New York). California state Senator Scott Wiener's (D) has [announced](#) he will introduce another bill on that topic but it is currently a [placeholder](#). In Washington state, state Rep. Clyde Shavers (D) has introduced bills to require [transparency](#) about training data and to give consumers a means to tell whether content is

[AI-generated.](#)

Most of these bills have not yet advanced in committee, but state legislatures can move fast, especially in states where lawmakers meet for a designated limited number of days. The status of legislation can thus change quickly.



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