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ChinAI #370: Why is there No Star AI Company from Guangdong?

BY JEFFREY DING · CHINAI NEWSLETTER · 10 AUGUST 2026

Greetings from a world where…
cicada killer wasps are still back

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Feature Translation: The "Guangdong Faction" in the AI Wave

Context: In Caixian Chen's latest piece (link to **original article** on Sinpers.ai WeChat public account), she asks two related questions:

1. **Why is it that the "Guangdong Faction" [□□□] has produced so many amazing AI talents?** This comes in the wake of Kimi K3, for which the two co-lead authors were Jianlin Su and Guangyu Chen, both from Guangdong province. In fact, Moonshot AI co-founder Yang Zhilin and DeepSeek CEO Liang Wenfeng are also from Guangdong province.
2. **And, if it's the case that Guangdong is such a hub of AI talent, why is there no star AI company rooted in Shenzhen, the province's tech center?** The fact of the matter is that China's most prominent frontier AI companies are concentrated in Beijing and Shanghai. Recall in **ChinAI #340**, I pointed out how much local Shanghai papers took pride in MiniMax (based in the city).

Key Takeaways: Before we review Chen's answers to these two questions, this article stood out to me as a reminder of the intense regional rivalries that shape China's high-tech ecosystems.

- Chinese economist Zhang Jun **argues**, "*These cities' competition to generate stronger growth than their counterparts – a contest sustained by the political incentives the central government has long provided to local officials – has played a driving role in China's rapid industrialization and ongoing structural transformation.*"
- Rumor has it, from Chen's piece, Shenzhen authorities had talks with two of the "Six Little Tigers" of China's LLM start-ups (Zhipu AI, Moonshot AI, MiniMax, Baichuan Intelligence, StepFun, and 01.AI) to relocate their headquarters to Shenzhen. The proposed terms including a free office building, but the deal fell through. "*In hindsight, this wasn't entirely a bad thing for Shenzhen: one of those companies later dropped out of the race to build the most intelligence models, while the other was highly unlikely to ever leave Beijing*," Chen muses.

So, why has the large model wave seemed to have abandoned Shenzhen? Chen's initial answer is that there is at least one company from Shenzhen who is seeking to compete at the AI frontier: Tencent.

- Tencent's WorkBuddy outranks ByteDance's TraeIDE as the top AI desktop agent in China. Still, Tencent's technical achievements do not place it in the top tier of Chinese AI labs. The article notes, "*Tencent has still failed to live up to the expectations placed upon it by southern China.*"
- Someone who takes pride in being from Shenzhen might look at DeepSeek's success through the lens of regional rivalry: "*In 2025, the explosive rise of DeepSeek shifted the industry's gaze from Beijing and Shanghai to a new focal point: Hangzhou. Although this history was made by a native of Guangdong, the resulting dividends did not flow back to the province, not to Shenzhen and even less to Guangzhou.*"

In the end, Chen is hopeful that Guangdong can produce a local AI champion. "Yet, Guangdong needs a top-tier enterprise, one that can attract AGI resources while operating in a pragmatic, down-to-earth manner. There is a need for a destination to channel the talent across the Guangdong-Hong Kong-Macao-Greater Bay Area for Guangdong natives who studied outside the province, and for local capital," she writes.

- All the ingredients are there — the pragmatic research mindset, the attractive location, the access to global capital and talent. And one more cultural ingredient, according to Chen: "*If Beijing embodies a 'political mindset,' then Guangdong embodies a 'business mindset'…The core of the political mindset is control, whereas the core of the business mindset is freedom; one focuses on power, the other on growth.*"
- If no local champion emerges, could Shenzhen's competitiveness decline in the AGI era? Chen is confident that either Tencent or an up-and-coming force will "*capture the region's full potential and ultimately secure a proper foothold in the AGI landscape.*"

FULL TRANSLATION: The "Guangdong Faction" in the AI Wave

ChinAI Links (Four to Forward)

Must-read: A fatal reaction

If you can only read one article this week, make it this longform essay by Brendan Borrell, co-published by *Science* and *Retraction Watch*. It tells a tale of an experimental gene-editing trial that went deathly wrong at a Shanghai hospital, leading to the death of "Mei," a six year old girl. She was the daughter of "Jason" and "Linda": the parents "decided to tell her story now because they are angry about what they feel is a lack of accountability by the researchers and the institutions."

Zilong Qiu, a neuroscientist at Shanghai Jiao Tong University School of Medicine, enrolled "Mei", in a sketchy clinical trial for brain-directed gene-editing therapy treatment. The article reports:

> *Seven experts in fields including genetics, virology, and bioethics who reviewed details of the Nature study and the clinical trial for Science and Retraction Watch expressed concern that Qiu and his team downplayed the trial's risks in describing them to the parents, overlooked safety signals in animal studies, and proceeded even though success was unlikely. "This shouldn't have gone to trial," says Steven Gray of the University of Texas Southwestern Medical Center, who develops viruses for gene therapy.*

Ironically, Qiu was one of the Chinese scientists who condemned He Jiankui's rogue gene editing experiment in an open letter.

Qiu's behavior gets even more shameless. He goes forward with the publication of a *Nature* study even after the trial leads to a tragic death: "*The family's genetic data had been removed and a sentence thanking them for their 'participation and support' had been eliminated*." The article details so many failings in the peer review process that allowed the paper to get to this stage. After this *Nature* paper gets an enthusiastic reception, Jason and Linda decide to escalate their complaints.

I've only recently started to see Chinese media cover this case after Borrell's piece came out. Mei died in March 2025, so no reckoning process even started until a year and a half later:

> *The muted response to Mei's death sharply contrasts with the Gelsinger tragedy (Jeff's note: a U.S. gene therapy trial that led to the death of an 18-year-old) decades ago. His death drew widespread headlines and prompted a major self-examination by the gene therapy field. The university where the trial was conducted paid a fine of more than a half-million dollars and had further gene therapies suspended. FDA barred Wilson, the principal investigator, from human research studies for 5 years for violations that included failing to disclose the adverse reactions observed in the primate toxicology studies on Gelsinger's informed consent form. "Public disclosure … is essential in safely moving these fields forward," Wilson says.*

Should-read: China's Great City Rivalries

In this *Project Syndicate* commentary, Chinese economist Zhang Jun distills his research on the positive effects of inter-urban competition on high-tech development. On the flip side, Zhang admits, "*Of course, such competition carries risks – in particular, short-sighted efforts to boost growth in ways that exacerbate misallocation of resources, overcapacity, and high financial leverage*."

Should-read: How Russian Economic Policy is Gender

There are many reasons no one is talking about Russia's AI prowess. Is it possible that one reason is the Russian political elite's deeply gendered conception of a "real" economy? For *The Duck of Minerva*, University of Groningen assistant professor Lisa Gaufman explores this question.

Should-read: Silicon Valley's Other China Problem: It's Training Their AI

In *Forbes*, Anna Tong reports on the Silicon Valley startups that are selling data to Chinese AI labs. But wait! I thought China was the Saudi Arabia of data, and that's why China would dominate everyone in AI, so why would these labs need to buy a bunch of high-quality English data…… Could it be that this analogy was always mistaken and misleading?

Thank you for reading and engaging.

These are Jeff Ding's (sometimes) weekly translations of Chinese-language musings on AI and related topics. Jeff is an Assistant Professor of Political Science at George Washington University.

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Any suggestions or feedback? Let me know at chinainewsletter@gmail.com or on Twitter at **@jjding99**

Thinking the unthinkable

BY JENNIFER PAHLKA · EATING POLICY · 7 AUGUST 2026

Earlier this week, the New York Times podcast *The Daily* covered what's happening to SNAP (food stamps) in Arizona. Arizona is ahead of the curve, so to speak, in implementing the work requirements H.R. 1 imposes, and the impacts are staggering. So far, according to their reporting, about 450,000 people have lost their benefits — half the rolls. In 2023, the average monthly benefit for an individual in Arizona was $180, and the average for a household was $336. I'm not sure how to blend these, but if we go with a conservative $200/month, that's $90M in lost benefits per month in one state. That's over $1B a year, again, just on one safety net program in one state. When I talk about what I see as philanthropy's mandate to fix government, this is part of what I mean. Even with the influx of funding that may come with the AI companies' IPOs, philanthropy can never act at the scale of government. Even just trying to compensate for swings like this one (which doesn't really begin to touch job loss from AI!) would bleed philanthropy dry very quickly. Philanthropy needs to go upstream.

But returning to Arizona, this issue of lost benefits is a more complex topic than it appears. Many people will read this as evidence that a lot of people were on SNAP who shouldn't have been, and "shouldn't have been" could mean that applicants weren't technically eligible but were getting the benefit anyway, or that they were technically eligible but these observers believe that a massive government-funded program is not the way to meet these needs. I give more credit to these views than I used to. The progressive strategy of always downplaying fraud has clearly not worked; elites can dismiss the concern as a matter of principle or a signal of virtue, but people who live in low-income communities often see it around them, at the same time that they see people genuinely in need *not* getting benefits. (There is less actual fraud in SNAP than in other programs, whatever the error rate suggests, and a good deal of what does happen is EBT card skimming — fraud committed against recipients, by criminals.) For a take on this that will certainly offend some of you but that I found hilarious, try Jeff Maurer's post warning his fellow liberals to remember "the dirtbags" when they talk about work requirements.

To be clear, very few of those 450,000 people in Arizona were determined to be ineligible. Overwhelmingly, they were dropped because of maddening administrative hurdles, like notices of interview appointments (a required step for eligibility) arriving after the date of the interview. "What am I supposed to do? Do I look like I can create a time machine and go back in time?" asks Alejandra Casillas, who received one of these notices, on the podcast. Alejandra's efforts are truly epic — calling five times every morning despite being hung up on every time, physically showing up at the office and being told it can only be done by phone — but there is simply no way to fulfill the interview requirement. Alejandra has two kids and works. She is exactly the profile the new policy is supposed to protect, but she hasn't been rejected for failing to prove she is employed. She can't even get that far. And she can't feed her kids on what she makes.

When Code for America started working on food assistance, we saw in some cases *exactly* what *The Daily* documents, including interview notices arriving after the dates printed on them. But this was in 2013, not 2026, and in San Francisco, where I guarantee you there was no directive from on high to deny or unenroll eligible clients. H.R. 1 does bring that directive, and that will cause untold harm, but despite these chilling stories (and the greater scale of disenrollment coming), I have a hard time pining for the pre-Trump status quo. I founded an organization that grew to spend $35M a year trying to fix the safety net[1], and while I'm proud of the work we did (and they still do), the reality is that many Americans voted for leaders they knew were willing to gut the system, and I can't help but think that says something about how it was working for them. It's not as simple as too strict or too lax eligibility criteria.

At the end of the podcast, Jason DeParle, the New York Times reporter, predicts that because H.R. 1 could foist some of the costs of the program onto states (this has been until now an entirely federally-funded benefit, though states are on the hook for some portion of the administrative costs), some states could abandon SNAP altogether, something he sees as previously unthinkable. "I think it's worth stopping to consider for a moment. I mean, can you imagine a state without a food stamp program?" I personally think giving people money for food is a great idea, and listening to the story of a grandmother raising her five grandchildren and suddenly being unable to feed them and herself (because of an incredibly minor clerical error that now can't be fixed) will make you think that too. But the instinct to always protect the programs feeds an instinct to maintain the status quo. What if, instead of digging in during these moments of frightening disruption, we leaned in? What if the question weren't "how do we protect SNAP?" but rather "what's the best way to ensure that grandmother can feed her family?" Because with all due respect to those who've been fighting to improve it, I guarantee you that SNAP, at least the way we've been administering it for years, is not the best we could do.

Or more to the point, a "safety net" (make those air quotes extra heavy here) made up of dozens of bespoke programs, each with mind-bogglingly complex eligibility criteria and fragile, expensive systems poorly built to administer them, in which each program affects the other, causing endless "benefit cliff" doom loops that force constant re-engagement with said crappy systems, each gameable by those with resources and an absolute black box to those without, is **not the best we can do**. And it is not fit for the job we will need it to do in the coming years as AI changes what people need and expect. I read DeParle's warning against losing SNAP through this lens. What if this crisis were a call for profound renewal? What if this moment were about building something better?

What if, instead of digging in during these moments, we leaned in?

The UK has at least built something else in its Universal Credit program, which rolled together what were previously seven different benefit programs, now administered as one. It is far from perfect. The five-week wait baked into its original design pushed people into debt. But while millions of Americans waited months, even years, for their unemployment insurance benefits during the pandemic, UC was, during that same time, as my frequent co-author Andrew Greenway says, "the dog that didn't bark." When Covid hit, the program had recently been rescued from years of failure to launch by a profound internal reset toward a test-and-learn implementation approach, and when claims volumes spiked, it scaled to meet demand in ways US programs did not. The UK has not nailed reinvention by any means, but at least its leaders have been asking questions we don't even seem to entertain.

Speaking of Andrew, this topic is on my mind in part because he and I just finished writing an article for *Foreign Affairs* about the need not for new programs, but for new institutions. As two people who've dedicated the first part of our careers to the transformation of institutions, we've both come to believe that when transformation fails repeatedly, it's time for something different, and one of the tools that leaders need to add to their tool belts (and probably use a lot more frequently than they do today), is starting fresh, creating new entities (agencies and departments, for example) and either endowing them with new authorities or transferring authorities from legacy institutions to the new ones. There's plenty of precedent for this, not only in the US and the UK, but in countries around the world, and we talk about several cases in the article. The point is that while these kinds of big changes don't come without risk, with some forethought, they can be executed responsibly. And weighed against the harms of the status quo, they can look pretty appealing.

It's worth asking whether the institutions that administer SNAP today — which include USDA's Food and Nutrition Service at the federal level as well as human services agencies at the state (and sometimes county) level — would be capable of crafting a better program to fight hunger. Would they be culturally or structurally capable of shedding the legacy ways of thinking and behaving that have created today's subpar outcomes? How much of an effective reset would come from wiping the slate clean on decades of regulatory and procedural accretion, if starting over even makes that possible? Imagine instead a brand new federal agency designed to take the mandates from programs at HHS, USDA, Department of Labor, and maybe even Veterans Affairs and others, and come up with a coherent strategy for administering an actual safety net — one that works today and can meet the changes that are coming. Would our lawmakers be capable of setting different conditions for such an agency, including the HR authorities and practices that would let it hire and manage staff appropriately? Would our leaders be capable of what Iain Duncan Smith, the elected official accountable for delivery of UC, did when he told the team that their goal was not to "deliver Universal Credit" (a defined solution) but rather to "support more people, to find more work, more of the time, while protecting those who can't" (a mandate to solve the problem, embedded in which is a mandate to adapt and pivot)? He then backed the team to use what they learned in implementing the program to change it — policy as well as delivery — so that it met that goal. Could we operate that way in the US? Would crisis-driven renewal give us that permission?

Returning to my first point about the size of the problem and philanthropy's role here, these are the questions I'd like philanthropists and activists to take up. There is suddenly political will and leadership on these issues, which makes change now possible, but the administrative state is not going to reform itself. Our democracy (working as designed) is enormously responsive to whoever shows up — to advocate, to donate, to lobby. Try to change the status quo and everyone who profits from it shows up: vendors, unions, interest groups, and even incredibly well-meaning people who can't imagine a state without a food stamp program, and therefore can't imagine a state with something *better* than a food stamp program. When there's no countervailing force working in the public interest, with a clear picture of what could be and a path to get there, we stay stuck.

Philanthropy could be that force. It could fund a politics of renewal. Not partisan politics, but the small-p work of building a constituency for something better where none exists today, of making it thinkable that we would design new institutions to fight food insecurity — or build infrastructure, or defend against our adversaries, or educate our kids — rather than defend the ones we have. Someone has to be in the room when authorities get written, holding an actual design and not just an objection. Someone has to pay for them to be there.

The next year will tell us whether philanthropy chooses to show up for change, or is content to plug the holes our failing systems will keep tearing open.2 We've just seen the size of one hole: a billion dollars a year, in one program, in one state, *before the real chaos even begins*. There isn't going to be enough money in philanthropy to fill the holes, but there might be enough to change what keeps making them.

1

I'm referring to Code for America here, but to be clear, I stepped down from leading it in 2020 and don't speak for it now. And of course, CfA is one of many, many organizations that work on the safety net in a wide variety of ways.

2

For more on how it could be that way, while avoiding the perils of plutocracy, see Rob Reich's recent essay.

China is not the solution to the US chipflation problem

BY CHRIS MILLER · CHRIS MILLER'S NEWSLETTER · 4 AUGUST 2026

As memory chip prices spike, I look at the debate over CXMT, China's leading producer of DRAM memory chips, in my latest piece for the *Financial Times*.

> CXMT is the world's fourth-largest producer of DRAM, with plans to grow further. It has succeeded partly because it is allowed to buy some advanced equipment from western companies, though not the EUV lithography tools used for leading-edge DRAM. Notably, the Trump administration last year planned to add CXMT to the Commerce Department's "Entity List", which would have tightened restrictions, before pulling back as part of a deal with China over tariffs and rare earths…
>
> Some buyers of memory chips see CXMT as the answer to chipflation. This seems unwise. But global peers worry that the company, which is roughly half owned by Chinese-government-linked entities, could build capacity without concern for profitability, making buyers dependent on Chinese supply. At stake is not only short-term prices for memory but an industry that has never been more strategic.

Read more here.

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China is not the solution to the US chipflation problem

Buying memory chips from companies like CXMT could lower costs but risks dependence

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CXMT is the world's fourth-largest producer of DRam, with plans to grow further © Maxim Shemetov/Reuters