DCBF
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DCBF BRIEF (June 2026)

Chinese AI — Implications for Danish HQs and their subsidiaries in China

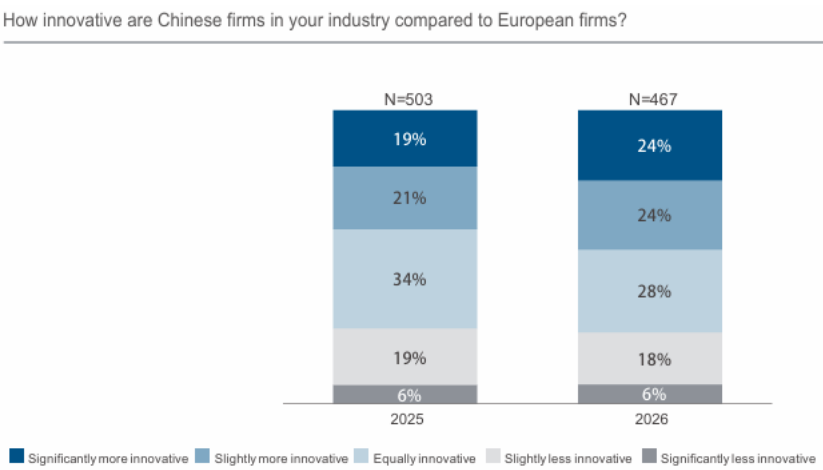
Executive summary

- China is rapidly becoming an important arena for industrial AI, enterprise software and automation — not only in manufacturing base, but as a learning environment for productivity and innovation.
- China's AI ecosystem is increasingly focused on diffusion across industries, supported by lower-cost models, local hardware, embodied AI, robotics, "AI Plus" policy priorities and practical deployment models. This is reinforced by the generally open-weight and commercially focused approach of many Chinese AI platforms, which enables downstream fine-tuning, customisation and faster adoption.
- European companies are already seeing that Chinese AI and automation is reshaping manufacturing and strengthening local competitors.
- The key strategic question is whether Danish subsidiaries can engage with China's AI ecosystem in ways that improve competitiveness while preserving control.
- Danish companies may need to reconsider traditional HQ-subsidiary dynamics. China operations can become a governed learning lab for AI deployment — or, if unmanaged, a disconnected local stack where valuable knowledge is stranded.
- "China runs out of China" BUT engagement with Chinese AI, software and automation should increasingly be treated as a Board and top-management issue, especially where China remains important for production, sourcing, innovation or global competitiveness.

The DCBF Brief is based on discussions in DCBF Focus Groups and meetings held according to the Chatham House Rule.

Faster innovation with AI

For most Danish companies, their subsidiaries in China have traditionally relied on headquarters for technology direction, IT systems and software governance. This model is now being challenged by the rapid development of China's AI, enterprise software and automation ecosystem as well as regulatory changes in China concerning access to software and data from outside of China. Also, Chinese competitors are increasingly able to adopt and integrate new technology directly into production, engineering, quality control, supplier management and customer-facing workflows. This may have positive spill-over effects on their competitiveness as well as their innovation capacity. Survey data from EUCCC (below) indicate that European managers view Chinese companies as more innovative compared to just one year ago.



Source: EUCCC, Business Confidence Survey 2026

Against this background, the question of Chinese AI is not primarily technical. It is strategic. If Chinese companies can use AI-enabled automation to increase productivity, reduce cost, shorten development cycles and learn faster, Danish companies need to understand how this may affect their competitiveness in China - and potentially globally.

China's emerging AI and automation ecosystem

China is pursuing - and to some extent already building - a low-cost deployment ecosystem that allows firms to experiment with AI in various aspects of their business.

Several elements are reinforcing this development:

- Chinese LLM companies are developing capable models with fewer resources and lower deployment costs.
- Chinese companies are part of a broader push away from reliance on foreign chips and towards domestic hardware.
- AI in China is increasingly linked to robotics, embodied AI, industrial software and agents. This means that AI is not only sold as subscriptions, but embedded into machines, workflows, production systems and operational use cases.
- AI in your basement: New standalone (and offline) AI services are being developed which include "all-in-one" hardware and LLM installation on-site with Forward Deployed Engineers, allowing technical teams to work closely with business development to design new services.
- The "AI Plus" agenda and the role of SOEs are important because procurement requirements and state-backed demand can accelerate AI adoption across sectors.
- The generally open-weight and commercially permissive licensing approach of many Chinese AI firms supports diffusion by allowing downstream fine-tuning, customisation and integration into company-specific workflows. It also provides a degree of transparency, as developers and researchers outside China can inspect, test and validate models — including whether there are hidden behaviours, data-transfer risks or other governance concerns.

When AI is embedded at this scale it becomes part of business' operational capabilities rather than a separate digital project. The result is an ecosystem where experimentation can become faster and more operational than we see in Denmark and Europe.

Global developer adoption also suggests that Chinese open-weight models are no longer marginal. On OpenRouter, a cross-model platform widely used by developers, Chinese open-weight models reportedly account for around 45–50% of total token volume in early 2026, up from approximately 30% during peak weeks in 2025 and around 1.4% at the end of 2024. Among the most-used models, they already represent a majority of the top ten. While this is only one platform, it indicates that Chinese models are gaining traction outside China because they are accessible, customisable and cost-competitive.

Engaging without losing control

Allowing subsidiaries in China to experiment with solutions and platforms in the Chinese ecosystem may be an avenue to accelerated learning about AI's potential in their respective business operation. However, the HQ must establish oversight mechanisms to ensure that these learnings are not "stranding in the China organisation", especially as they may provide learnings for the international or global competitiveness and productivity.

Danish companies should avoid the two most common extremes: Not blocking local experimentation because it falls outside global standards nor allowing unmanaged local divergence without governance, visibility or learning transfer.

Towards this end, HQ's top-management and Boards may ask themselves:

- Do we know which AI, automation, robotics and software solutions are used by our competitors, suppliers, customers and local partners in China?
- Can we establish a China-specific AI sandbox where selected tools can be tested under clear rules for data, cybersecurity, legal review and business ownership?
- Have we defined what can cross borders and what should remain local; evaluation methods, playbooks, design principles and people exchange may be more transferable than customer data, model weights, system access etc.
- Are we able to distinguish between models and tools that can be safely tested locally, models that require deeper technical validation, and models that should not be used because of data, cybersecurity, IP or compliance concerns?
- What is our approach to "China for China", "China for world", "China for global" and "Global for China" in the technology, digital and data sphere?

Other issues to consider include data localisation, PIPL, AI regulation, export controls, procurement standards, vendor due diligence, IP questions and the organisational setup needed to connect business knowledge, AI models and hardware.

Further reading

- China's AI Companion Reg & the Growing Role of Technical Standards
- Three reasons why DeepSeek's new model matters | MIT Technology Review

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Other DCBF Briefs

- DCBF Brief (March 2026): Incorporating geopolitics advisory into companies' strategic planning
- DCBF Brief (March 2026): Strategic partnerships in China