America Says China Is Copying Its AI Homework — at Industrial Scale

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Contents

Note: the original article is provided as a separate file (attached to the email or downloadable from the website).

1. Explanation (Ages 14–18)

> ***What if someone could clone your most advanced technology not by stealing blueprints, but by asking your own product clever questions until it spilled its secrets?***

What's Going On?

The White House has formally accused Chinese entities of running massive, coordinated campaigns to steal the capabilities of America's most advanced AI systems. Michael Kratsios, the director of the White House Office of Science and Technology Policy, issued a memo warning that Chinese groups are using a technique called 'distillation' — essentially training cheaper, smaller AI models by feeding them the outputs of America's frontier models — at an unprecedented scale.

According to the memo, these campaigns involve tens of thousands of fake proxy accounts to dodge detection and 'jailbreaking' techniques that trick AI systems into revealing proprietary information they're designed to protect. The accusation lands at a politically charged moment: President Trump is set to meet President Xi Jinping in Beijing within weeks. China's embassy called the claims 'pure slander,' insisting the country respects intellectual property rights and promotes cooperation.

How To Think About It

Distillation is a legitimate technique in AI — researchers use it all the time to compress a powerful model into a lighter, cheaper version. The controversy is about who's doing it, how, and whether they have permission. Think of two parallels:

- Imagine a sneaker reseller reverse-engineering Nike's proprietary foam formula by buying hundreds of pairs and chemically analyzing them — they didn't break into the factory, but they're still extracting trade secrets from the product itself. That's roughly what unauthorized distillation does to an AI model.
- It's also like the Cold War technology race: the Soviet Union famously copied the American B-29 bomber bolt-by-bolt after capturing one. The US had export controls then too, but physical objects are easier to guard than digital outputs flowing through API endpoints across the internet.

Key Things To Know

- In February 2026, Anthropic accused three Chinese AI firms — DeepSeek, Moonshot, and MiniMax — of conducting distillation attacks on its models. OpenAI had flagged similar concerns about DeepSeek as early as 2025.
- Distillation works because a smaller model can learn patterns from a larger model's outputs without needing the same massive computing infrastructure. This lets Chinese firms sidestep US chip export controls that were designed to slow their progress.
- The House Foreign Affairs Committee passed new bills this week that would add companies caught distilling to the 'entity list' — an export blacklist that effectively cuts them off from American technology supply chains.
- Distilled models often lack the safety guardrails built into the originals, raising national security concerns about misuse for bioweapons development or cyberattacks.

- Most people assume AI theft means hacking into servers and stealing code. The counterintuitive part is that distillation doesn't require any break-in — attackers extract value by systematically querying the model through its normal interface, making it far harder to detect and prosecute.

Why It Matters

If you're considering a career in tech, AI research, cybersecurity, or international policy, this is the defining conflict of the field right now. The outcome will shape which countries control the most powerful AI systems, how open or locked-down those systems become, and whether the research culture in AI stays collaborative or fractures along national lines. It also affects everyday users: tighter security could mean more restricted access to AI tools, higher costs, and slower innovation as companies prioritize defense over openness.

The Bigger Picture

The US-China AI rivalry is rapidly becoming the 21st century's central technological competition, much as the nuclear and space races defined the Cold War. If the US cracks down hard — banning Chinese access to models, sanctioning distillation, tightening chip exports — it could fragment the global AI ecosystem into two separate blocs. Watch for second-order effects: American AI companies may restrict API access for all international users, open-source AI development could face new legal scrutiny, and allies in Europe and Asia will be pressured to pick sides. The upcoming Trump-Xi summit will be a critical signal of whether this escalates into a full technological decoupling or whether some diplomatic middle ground emerges.

2. Key Terms Glossary

Distillation
A technique where a smaller, cheaper AI model is trained to replicate the behavior of a larger, more powerful model by learning from its outputs rather than from the original training data.

Frontier AI systems
The most advanced, cutting-edge AI models — typically large language models with the highest performance benchmarks, developed by companies like OpenAI, Anthropic, and Google DeepMind.

Jailbreaking
Techniques used to bypass an AI system's built-in safety restrictions or usage rules, tricking it into producing outputs it was designed to refuse.

Proxy accounts
Fake or intermediary user accounts created to disguise the true identity or location of the person accessing a service, used here to evade detection while querying AI models at scale.

Entity list
A US Commerce Department export blacklist; companies placed on it are effectively cut off from purchasing American technology, components, or software.

Export controls
Government regulations restricting the sale or transfer of specific goods or technologies to foreign countries, used here to limit China's access to advanced AI chips.

API (Application Programming Interface)
A set of rules that lets software programs communicate with each other; in AI, it's the interface through which users send queries to a model and receive outputs.

Intellectual property (IP)
Creations of the mind — inventions, designs, proprietary algorithms — that are legally protected and owned by their creators or the companies that funded their development.

Terms of service
The legal agreement users accept when using a product, which in AI often prohibits using model outputs to train competing systems.

Safeguards
Built-in restrictions in AI models designed to prevent harmful outputs, such as instructions for creating weapons or conducting cyberattacks.

3. Reading Comprehension Quiz

Circle the best answer for each question.

Q1. What is the central accusation the White House is making against Chinese entities?

- **A)** China is hacking into American AI companies' servers to steal source code
- **B)** Chinese groups are systematically using distillation to replicate US AI capabilities without authorization
- **C)** China is recruiting American AI researchers to work for Chinese labs
- **D)** Chinese companies are violating trade agreements by selling AI chips domestically

Q2. According to the article, what makes distillation particularly useful for Chinese AI firms?

- **A)** It allows them to bypass patent law entirely
- **B)** It enables them to build capable models without needing the advanced chips that US export controls restrict
- **C)** It gives them access to classified US government AI systems
- **D)** It lets them train models faster than American companies can

Q3. Which of the following legislative actions is described in the article?

- **A)** The Senate passed a bill banning all AI exports to China
- **B)** The House Foreign Affairs Committee passed bills that could add distillation-using entities to an export blacklist
- **C)** Congress approved funding for a new AI defense agency
- **D)** The White House issued an executive order shutting down Chinese AI access immediately

Q4. In context, what does the phrase 'leveraging tens of thousands of proxy accounts' most nearly describe?

- **A)** Chinese companies hiring American employees to access AI systems
- **B)** Using intermediary fake accounts to disguise the scale and origin of queries to AI models
- **C)** Creating social media accounts to spread disinformation about American AI
- **D)** Registering legitimate business accounts under different corporate names

Q5. Why does Kratsios distinguish between legitimate distillation and 'industrial distillation'?

- **A)** Because legitimate distillation is performed only by government agencies
- **B)** Because industrial distillation uses different technology than regular distillation
- **C)** Because distillation is a normal, accepted AI technique, but its unauthorized use at massive scale to undermine competitors crosses a line
- **D)** Because legitimate distillation only applies to open-source models

Q6. What can be inferred about why distilled models pose national security risks?

- **A)** They are more powerful than the original models
- **B)** They can be deployed on mobile devices more easily
- **C)** They replicate capabilities without the safety restrictions built into the originals
- **D)** They automatically connect to classified government databases

Q7. What is the overall tone of the article toward the distillation controversy?

- ◯ **A)** Dismissive of American concerns as exaggerated
- ◯ **B)** Neutral and factual, presenting accusations alongside China's denial
- ◯ **C)** Openly hostile toward China with no opposing viewpoint
- ◯ **D)** Optimistic that diplomacy will resolve the issue quickly

Q8. Why does the article mention the upcoming Trump-Xi meeting in Beijing?

- ◯ **A)** To suggest that the accusations are timed for maximum diplomatic pressure
- ◯ **B)** To provide background on Trump's travel schedule
- ◯ **C)** To argue that the meeting will resolve all AI disputes
- ◯ **D)** To explain why China issued its denial

Q9. Based on the article, which outcome is most likely if the US significantly restricts Chinese access to American AI models?

- ◯ **A)** Chinese AI development will stop entirely
- ◯ **B)** China will likely increase investment in developing its own independent AI capabilities
- ◯ **C)** American AI companies will become more profitable immediately
- ◯ **D)** International collaboration in AI research will increase

Q10. What broader theme does this dispute most clearly illustrate?

- ◯ **A)** The inevitable decline of American technological leadership
- ◯ **B)** The tension between technological openness and national security in an era of great-power competition
- ◯ **C)** The failure of international intellectual property law
- ◯ **D)** The superiority of smaller AI models over larger ones

My Score: _____ / 10

4. Answer Key with Explanations

Q1. What is the central accusation the White House is making against Chinese entities?

Answer: B

The article centers on the accusation of unauthorized, industrial-scale distillation — training smaller models from the outputs of US frontier AI systems. Option A is a common misconception; the article specifically notes that distillation doesn't require traditional hacking.

Q2. According to the article, what makes distillation particularly useful for Chinese AI firms?

Answer: B

The article states that distillation lets Chinese firms 'offset deficits in AI computing power' caused by US chip export controls. The technique sidesteps the hardware bottleneck, not patent law or government systems.

Q3. Which of the following legislative actions is described in the article?

Answer: B

The article specifically mentions the House Foreign Affairs Committee passing bills to consider adding groups that employ distillation to the entity list. No Senate action, new agency, or immediate executive order is described.

Q4. In context, what does the phrase 'leveraging tens of thousands of proxy accounts' most nearly describe?

Answer: B

The article uses 'proxy accounts' to describe fake or intermediary accounts used to 'evade detection' while systematically querying US AI models. This is about disguising unauthorized access, not social media activity or legitimate business registration.

Q5. Why does Kratsios distinguish between legitimate distillation and 'industrial distillation'?

Answer: C

Kratsios explicitly states that distillation is 'a vital part of the AI ecosystem when used legitimately' but becomes unacceptable when used in unauthorized campaigns to undermine US research and development. The distinction is about scale, authorization, and intent.

Q6. What can be inferred about why distilled models pose national security risks?

Answer: C

The article states that distilled models 'lack the safeguards that, for example, prevent the development of bioweapons or malicious cyber attacks.' The danger is capability without safety guardrails, not superior performance.

Q7. What is the overall tone of the article toward the distillation controversy?

Answer: B

The article presents the White House accusations in detail but also includes the Chinese embassy's response calling the claims 'pure slander' and quoting their spokesperson. It maintains journalistic balance without editorializing.

Q8. Why does the article mention the upcoming Trump-Xi meeting in Beijing?

Answer: A

The article frames the accusation as 'the latest escalation in tensions' and notes it comes 'just weeks before' the summit, implying the timing is strategically significant and adds diplomatic pressure to the situation.

Q9. Based on the article, which outcome is most likely if the US significantly restricts Chinese access to American AI models?

Answer: B

The article suggests China is already trying to close the gap through distillation precisely because export controls limit their chip access. Further restrictions would logically accelerate China's push for self-sufficiency rather than halt development entirely.

Q10. What broader theme does this dispute most clearly illustrate?

Answer: B

The article repeatedly highlights the conflict between the collaborative, open nature of AI development (legitimate distillation, API access) and the national security imperative to protect frontier technology from geopolitical rivals. Option A overstates decline, and option C mischaracterizes the legal framework.