

## Artificial intelligence

# Microsoft warns that China is winning AI race outside the west

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DeepSeek's technology is being rapidly adopted across Africa and beyond, tech group's research shows

**Cristina Criddle** in San Francisco

Published AN HOUR AGO

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Microsoft has warned that US AI groups are being outpaced by Chinese rivals in the battle for users outside the west, as China combines low-cost “open” models with hefty state subsidies to gain an edge.

Brad Smith, Microsoft’s president, told the FT that the rapid adoption of Chinese AI start-up [DeepSeek](#)’s technology in emerging markets such as Africa underscores the competition American firms face around the world.

“We have to recognise that right now, unlike a year ago, China has an open-source model, and increasingly more than one, that is competitive,” he said. “They benefit from subsidisation by the Chinese government. They benefit from subsidies that enable [them] to basically undercut American companies based on price.”



Microsoft president Brad Smith says Chinese AI companies are undercutting US rivals because of state subsidies © James MacDonald/Bloomberg

His comments come as new research from Microsoft found that the release of

His comments come as new research from Microsoft found that the release of [DeepSeek's](#) R1 large language model a year ago helped accelerate the uptake of AI worldwide, particularly in the global south, due to its “accessibility and low cost”.

That has also led to China [overtaking the US](#) in the global market for so-called “open” AI models, which are often free to use, modify and integrate by developers.

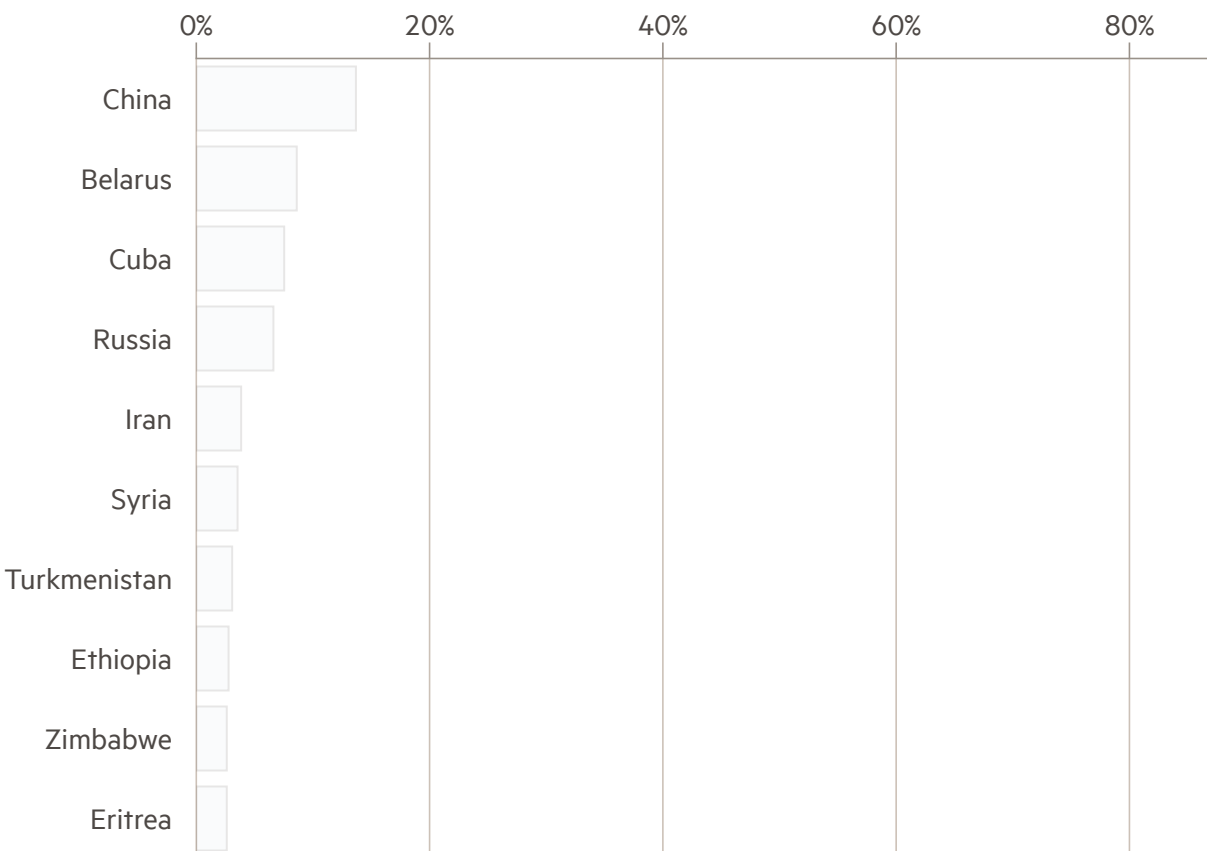
In contrast, US tech groups such as OpenAI, Google and Anthropic have instead focused on maintaining full control of their most advanced technology, profiting from it through customer subscriptions or enterprise deals.

Microsoft's research, which is based on usage data from the tech group's products, estimated the Chinese group has an 18 per cent share of the AI market in Ethiopia and 17 per cent in Zimbabwe.

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## DeepSeek dominates the AI market in China

The 10 countries with the largest DeepSeek market share, %



Smith said African countries would need broader investment from “international development banks” or “lending facilities” in order to build data centres and subsidise electricity costs.

“If we rely on private capital flows alone, I don’t think that will be sufficient to compete with a competitor that is subsidised to the degree that Chinese companies often are, especially in those parts of the world,” he said.

However, Bright Simons, vice-president at the IMANI think-tank in Ghana and an expert on AI, said there was no “scientifically rigorous way” to determine whether DeepSeek was forging ahead in Africa, but that open-source Chinese AI systems offered cheap alternatives.

“Africans can’t afford very expensive solutions apart from open source, so you have to go to [Meta’s] Llama or Chinese options,” he said. They were also using homegrown small language models, such as Masakhane, a pan-African model, and the South African InkubaLM, he said.

Microsoft’s research also found that in countries where US technology products are limited or restricted, DeepSeek had gained a considerable lead, with a 56 per cent market share in Belarus, 49 per cent in Cuba and 43 per cent in Russia.

## The countries using AI the most

The proportion of working-age population that uses AI, by country, %





FINANCIAL TIMES

Source: AI for Good Lab - Microsoft research

DeepSeek shocked Silicon Valley when it introduced its powerful AI reasoning model R1 last year, which it claimed was trained at a lower cost with less computing power.

DeepSeek is expected to release its long-awaited new AI model before the lunar new year holiday.

Microsoft’s research showed that AI adoption is currently concentrated in developed countries, with nearly a quarter of the global north using AI in the fourth quarter of 2025, compared to 14 per cent of the global south, and 16 per cent globally.

Smith said the growing gap was a “cause for concern” and cautioned that “if we don’t address a growing AI divide, it’s likely to perpetuate and broaden the great economic divide between north and south”.

He noted that this... back to the front in the US’ competition... with China... and

He noted that this was a key battleground in the US's competitive race with China, and said more investment was required from private companies to build data centres and provide skills training, as well as investment from governments and financial institutions.

“What we do have is, as American companies, a stronger reputation for trust. We have access to better chips than the Chinese companies do . . . [but] you always have to compete on price,” he added.

Smith warned that a lack of attention to the uptake of AI in regions like Africa, with young, fast-growing populations, could lead to the rise of systems that are not aligned with democratic values.

“If American tech companies or western governments were to close their eyes to the future in Africa, they would be closing their eyes to the future of the world more broadly, and I think that would be a grave mistake,” he added.

*Additional reporting by David Pilling*

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