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BEFORE THE
HOUSE COMMITTEE ON HOMELAND SECURITY
SUBCOMMITTEE CYBERSECURITY AND INFRASTRUCTURE PROTECTION

HEARING ENTITLED
"DEEPSEEK AND UNITREE ROBOTICS: EXAMINING THE NATIONAL SECURITY
RISKS OF PRC ARTIFICIAL INTELLIGENCE, ROBOTICS, AND AUTONOMOUS
TECHNOLOGIES AND BUILDING A SECURE U.S. TECHNOLOGY BASE"

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Chairman Ogles, Ranking Member Swalwell, and Members of the House Committee on Homeland Security Subcommittee on Cybersecurity and Infrastructure Protection, thank you for the opportunity to appear before you today. My name is Max Fenkell, and I serve as Scale AI's (Scale) Global Head of Policy and Government Relations. This hearing comes at a critical time for the future of United States leadership in artificial intelligence (AI), and I appreciate the chance to discuss the steps necessary to ensure the United States wins the global AI race.

INTRODUCTION

Over the past five years, no topic has captured global attention more than AI and since our founding in 2016, Scale has been at the forefront of AI innovation. Every day, our company works to build reliable AI systems for the world's most important decisions. We work across the entirety of the AI ecosystem, supporting customers from AI labs developing frontier models, to governments and enterprises looking to implement AI solutions. We do this in two main ways: first, by building high-quality, frontier data to develop, improve, and evaluate AI models; and second, by building applications to deliver solutions.

In the earliest days of our company, we started by building the Data Engine to power the autonomous vehicle industry. Later, that same Data Engine matured to serve as the foundational infrastructure to power the generative AI (GenAI) revolution; it now powers leading AI companies working to bring the technology into the physical world through robotics and autonomous systems. Our expertise in data has also enabled us to understand how to best implement our AI solutions across leading enterprises and governments, placing us at the forefront of AI deployment. Today, our Data Engine has powered the most ambitious Government AI programs, shaped the frontier of industry, and is actively working to power the next generation of agentic and physical AI platforms.

AI has always been powered by a data foundation, and winning on data will contribute to the US winning on AI. Scale directly enables this to occur.

WINNING STARTS WITH THE RIGHT STRATEGY

To start, it is useful to understand the AI tech stack. Across almost all use cases, AI fundamentally boils down to four parts: compute, model, data, and applications. Compute refers to the chips that power AI development and implementation; models are the engine that powers the AI to be useful; data is what makes the AI robust and intelligent; and applications leverage the rest of the tech stack to deliver high-quality AI solutions.

Understanding the state of the AI race requires examining leadership across each element of the tech stack. While the United States maintains an advantage on models and compute, China has established significant advantages in data and large-scale deployment. China continues to invest aggressively across the entire tech stack through an approach that fundamentally differs from the United States. The United States is chasing technological superiority, whereas China is looking to win on implementation[1] and diffusion of its technology across the world.[2]

As the AI industry continues to advance from a model-first approach to applications and embodied AI platforms, it is clear that the country that best implements AI solutions will reap the biggest benefit. Leadership in chips and models alone will not be sufficient. Without a stronger focus on implementation and deployment, the United States risks falling behind and never catching up.

ROBOTICS IS THE NEXT FRONTIER, BUT THE US IS NOT CURRENTLY IN THE RACE

Since the public release of generative AI systems in November 2022,[3] they have garnered much of the world's attention. However, this represents only the beginning of the AI transformation. AI capabilities are already evolving beyond conversational systems towards agentic workflows, and the next wave of AI will see models shift from text-based to physical, powering real-world systems such as robotics. Winning on these systems requires a fundamentally different approach from the ground up, starting with how you train the models.

Training a Large Language Model (LLM) requires two foundational steps. The first is pre-training: training on publicly available data. The second is post-training: augmenting a pre-trained model with high-quality, human decisions to fine-tune and evaluate it. Once completed, that AI model is deployed through a user interface and constantly improved based on real-world feedback.

A physical AI system follows a different path. These systems require the collection of thousands of hours of real-world data prior to the labeling process. Once collected, that data is labeled, tagged, and annotated to build a high-quality Vision Language Action Model, and once deployed in a real-world environment, it is augmented by real world data to continuously improve.

This is why autonomous vehicles spend months driving city streets before launch – every mile is training data. For robotics, the equivalent is warehouse-scale facilities filled

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[1] See, https://www.reuters.com/world/asia-pacific/china-vows-accelerate-technological-self-reliance-ai-push-2026-03-05/
[2] See, https://www.index.dev/blog/chinese-open-source-ai-models-statistics
[3] See, https://en.wikipedia.org/wiki/ChatGPT

with machines running around the clock, not to move goods, but to generate the data that trains the next generation of AI systems. China has industrialized this process in a way the United States has not. According to Scale's internal estimates, China owns roughly 90% of the commercially available robotics AI data industry today and produces it at 60% lower cost than U.S. companies can match. More investment alone will not close that gap. The advantage China has built is structural, state-directed, and years in the making.

The reason for this lies in China's approach. For many years, China has viewed data dominance as a key pillar of its AI Master Plan. While the U.S. Government directly invests roughly $100 million a year in AI data, China invests between 10x and 15x more, or roughly between $1 billion and $1.5 billion annually.[4] However, the difference extends beyond the investment levels.

China currently has seven data labeling hubs[5] across the country, provides government tax credits and subsidies for AI data,[6] and operates multiple of the world's largest warehouses with robots working up to 17 hours per day for the sole purpose of data collection.[7] This is not organic industrial development: it is a state-directed campaign to leverage the entirety of state capacity to control the foundational inputs of AI before the United States recognizes the threat.

The national security implications are clear. The same AI models being integrated into platforms and trained on Chinese data today are candidates for deployment in American homes, ports, hospitals, warehouses, and defense facilities tomorrow. The data that trains these systems shapes how they behave, what they optimize for, and where they are vulnerable. Ceding the robotics data layer to China is not an abstract technology policy concern, it is a critical infrastructure risk.

If the United States wants to win, we must recognize that the race is not just about platforms or technology superiority: we must also win on data. As with every form of AI, winning comes down to having a data advantage. Beyond global leadership, relying on Chinese data to train American companies' AI platforms carries significant security risks: supply chain issues, data poisoning[8], backdooring[9], and more. Unless we change our approach quickly, we will be almost entirely reliant on China to build America's robotics industry.

WINNING REQUIRES FOUR KEY ACTIONS

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[4]These statistics are based on Scale's internal analysis of publicly available sources.

[5] See, https://www.globaltimes.cn/page/202404/1309974.shtml

[6] See, https://english.www.gov.cn/news/202501/14/content_WS67859ba1c6d0868f4e8eeca1.html

[7] See, https://robotsbeat.com/china-closes-robotics-gap-physical-ai/

[8] See, https://www.knostic.ai/blog/ai-data-poisoning?utm_source=chatgpt.com

[9] See, https://cybernews.com/security/dji-robot-vacuum-backdoor/

Given the state of the global AI race and China's clear strategic advantage, the United States must act with urgency. The United States is winning the AI race on the dimensions we can see — the models and the chips. We are losing it on the dimensions that will ultimately decide the outcome: data and implementation. Winning is not just about building the best technology; it is also about successfully deploying these systems across real-world applications. To achieve this, four actions are necessary:

First, investigate Chinese robotics data as a national security threat and treat U.S. data as a national asset. China's growing dominance in the robotics AI data raises significant national security concerns for U.S. industry, and an over-reliance on China to provide our leading companies with AI-ready data carries risks that should be carefully examined and mitigated. Further, we should explore how the U.S. Government's best-in-class data could be better leveraged as a strategic asset for AI leadership. Multiple National AI Strategies have called AI-ready data vital to advancing AI, and while progress has been made, more must be done to translate these commitments into action. China is taking a whole-of-government approach to winning on data. The United States must be prepared to match that intensity — and where possible, surpass it.

> Recommendation: Congress should immediately ask the National Security apparatus to study the risks associated with an over-reliance on Chinese robotics data. Additionally, Congress should require federal data assets be made AI-ready and put in place government-wide AI-ready data infrastructure to harness it.

Second, establish the right regulatory framework that maximizes innovation while putting in place guardrails where needed. The right framework will lay the groundwork for global leadership. Scale strongly believes that this system starts with a use-case-based approach that leverages the existing regulatory system, finding and filling gaps if they exist. The right model governs outputs, not inputs — just as the government does not regulate a laptop, it regulates the malicious use of a laptop. AI should be governed the same way. Where a regulation is sufficient, it requires clear implementation and compliance guidance, as well as third-party testing to verify compliance. Regulation that handicaps American AI companies is not sound policy; it is a strategic concession to Beijing.

> Recommendation: Congress should work to pass a legislative package that sets one national framework for AI governance and codifies the regulatory gap analysis approach.

Third, shift to an implementation-first mindset. As previously stated, the United States is pursuing technology superiority whereas China has an implementation-first mindset. This is most visible in government adoption for defense use cases. Since 2016, the Department of War has successfully transitioned only one AI program to a Program of Record. In contrast, China implemented 81 LLMs into People's Liberation Army

operations in the first half of 2024 alone.[10] This is true across the private sector as well. Recent studies show that only roughly 1 in 20 enterprise AI pilots reach production[11]. If we want to win, we must shift to an implementation-first approach.

> Recommendation: Congress should require federal departments and agencies to stand up at least five flagship agentic AI programs, or programs that leverage frontier AI capabilities to solve for individual use cases, no later than the end of 2028. The over 1,700 AI use cases already identified across the federal government make clear that agencies know where AI can be most effective — the barrier is not imagination, it is execution. Additionally, they should set up an interagency working group tasked and empowered to break down all barriers to government AI implementation and use every tool at their disposal to encourage private sector adoption of agentic AI solutions.

Fourth, export the AI tech stack to our allies and partners. For too long, the United States has allowed China to dominate global tech exports through initiatives like the Belt and Road Initiative and Digital Silk Road,[12] which saw China win on 5G. This has led to China's technology becoming the global standard around the world and this cannot happen on AI. Countries around the world, or AI geopolitical swing states, will soon be forced to choose between deploying Western or Chinese technology. The Trump Administration has taken critical steps to counter China's exports around the world through the "Promoting the Export of the AI Technology Stack"[13] Executive Order, but this must only be a starting point. It is critical that Congress codifies key provisions from this Executive Order and ensures that the Departments of State and Commerce are resourced to effectively carry out their mandates. Global leadership on AI starts with becoming the global standard.

> Recommendation: Congress should immediately work to codify this Executive Order and ensure adequate funding for the Agencies tasked with implementing it.

CONCLUSION

The AI race will not be won in a laboratory or manufacturing plant alone. It will be won through the strategic decisions we make today. This is not the first time America has faced a defining technological competition, and we have every asset required to win: the talent, the capital, and the allies. The variable is urgency.

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[10] See, https://www.scmp.com/tech/tech-trends/article/3267866/chinas-public-sector-accelerates-ai-adoption-2024-zhipu-and-iflytek-emerge-winners

[11] See, https://fortune.com/2025/08/18/mit-report-95-percent-generative-ai-pilots-at-companies-failing-cfo/

[12] See, https://www.cfr.org/china-digital-silk-road/

[13] See, https://www.whitehouse.gov/presidential-actions/2025/07/promoting-the-export-of-the-american-ai-technology-stack/

Despite years of strong rhetoric, a clear-eyed understanding of where this race is actually being run has been missing. It is being run on data and implementation, and without direct action, we will lose.

The window to act is open, but it will not remain open indefinitely.

Scale is fully committed to supporting the United States in the global AI race. We look forward to working with this Committee to find ways to do just that.

Thank you again for the opportunity to be here and I look forward to your questions.