Leo von Gerlach	Hello and welcome everybody to another edition of *The Influencers,* our podcast conversation on Digital Transformation and Law. I'm Leo von Gerlach, and with me today are my Hogan Lovells partners, Byron Phillips and Tommy Liu, both from Hong Kong. So, Tommy, Byron, welcome to the show.
Tommy Liu	Thank you, Leo. It's been a pleasure to be here and great to see you again. Thank you for the invitation.
Byron Phillips	Delighted to be with you.
Leo von Gerlach	So, Tommy, Byron, we want to speak about the pace of digital transformation in China and the Greater Southeast Asian region. I mean the strong competitiveness of the region and what that means for the global economy and for the legal development and perhaps more specifically for any legal function for the businesses located in the region or doing business in that region. Perhaps we jump in right away, Tommy, just get us going. Some initial thoughts on the status of the AI race that is currently in full swing?
Tommy Liu	Thank you, Leo. As a starting point and as an opening statement, today as we all know, we are diving into a topic that's reshaping industries, economies and legal framework worldwide, the AI race. But, today's topic we're touching upon from the Asia or Greater China and Southeast Asia perspective. Since years ago, Asia is no longer just a participant in the global AI race. It's now a front runner, as we may say. From China's dominance in AI patents and it's groundbreaking deep seek, to Singapore's emergence as a regional AI powerhouse. The region is defining or redefining new benchmarks in innovation, governance and strategic deployment. We have seen the Asian nations actively positioning themselves in this race, and Byron and I would like to share what legal and compliance professionals need to know and how global businesses shall navigate this evolving landscape. Whether one is an in-house counsel, compliance officer or business leader, understanding Asia's AI strategy is essential. Asia's AI landscape is dynamic and rapidly evolving. According to Stanford University's AI index 2025, China leads in AI research volume and patents accounting for nearly 70% of global AI patent grounds. On the

	other hand, South Korea, for instance, on a per capita basis, is a top producer of AI research. Meanwhile, Southeast Asia is also emerging as a vibrant hub for AI model development and deployment. The US still leads frontier model innovation but China is also closing the performance gap with its models now matching US benchmarks like MMLU, for everyone's reference, MMLU is a benchmark data set developed by OpenAI that evaluates the performance of large language models in code generation tasks. Public optimism about AI is also significantly higher in Asia. 83% in China and 80% in Indonesia view AI as more beneficial than harmful. The region is moving beyond experimentation. In 2025, APAC Enterprises are power-ties in our eye and strategic deployment focusing on customer experience automation and in Agent AI workflows. This marks a shift from low risk pilots to core business transformation. Asia's AI raise is not just about speed, it's more about scale, strategy and sovereignty. National governments are investing heavily and businesses are aligning AI with the long term growth and we'll come back to this point later during discussion with Byron and myself.
Leo von Gerlach	Tommy, thank you so much for setting the scene about these just incredible achievements of the companies in the region and China in particular. Let's dive deeper here, Byron, and let's start with China and let's start with business in that country. Any common strategies theme to position themselves in this ensuing race?
Byron Phillips	Look, I think it was research from the China Telecom Research Institute recently that suggested that AI could contribute more than 11 trillion UN to China's GDP by 2035. And I think that's reflected in everything that Tommy's just been saying about the way that China is really already, or Chinese technology companies are already positioning themselves for success within this AI race and they're doing that by way of a few things. One, they're investing heavily in research and development to advance core AI technologies but also, what's important for them is collaborating with academic institutions and fostering that talent development. That's also crucial. In addition to that, then they've got to develop strong data ecosystems and ensure compliance with regulatory frameworks that sort of enhance innovation while maintaining user trust. And while obviously this is a very tricky area, they need to embrace international partnerships and open innovation that can further expand their global influence and competitiveness. Now, geopolitics is obviously going to have an impact on that but I think that's a real USP for, particularly for Chinese technology companies who are really developing in that area and have that willingness to extend beyond borders. And if I put my disputes hat on, it's also crucial for Chinese companies that enter into those joint ventures and similar commercial arrangements, particularly those which are cross-border, to ensure that contractual protections exist to preserve things like intellectual property, rights and other rights that are there to sort of deal efficiently with any bumps in the road, including corporate divorce and shoulder action, as those things occur.

Leo von Gerlach	So that's interesting. You mentioned strong ties to academia and emphasis on international cooperation. You also mentioned doubling down on creating intellectual property and the surrounding legal environment for that and that this is all relevant for companies located and originating from China. So, Tommy, is that similar for companies from other countries like South Korea like Singapore or Taiwan, who all make that strong contribution from their respective national angles?
Tommy Liu	Of course, each Asian nation is different, with different languages, different culture and different priorities among themselves within the countries. And there is no single playbook for Asian countries. However, we've seen a shared vision that AI is now a national priority and a strategic asset compared to any previous approach that AI is merely an advanced technology tool. Singapore has reported to be investing over 1.6 billion Singapore dollars in government funding and attracted around 26 billion Singapore dollars in tech investments, positioning Singapore itself as the third ranked AI nation globally. Singapore's national AI Strategy 2.0 emphasizes computer infrastructure, talent development and responsible AI governance. Singapore's AI Verify framework is a global benchmark for AI testing and compliance. And also, taking South Korea as an example, it has passed the AI Framework Act in January 2025, which is earlier this year. It's actually the first comprehensive AI law in APAC. It has introduced obligations for high impact AI systems, mandates, transparency for generative AI supports, small and medium enterprises, through infrastructure and training data access. This AI Framework Act balances innovation with regulation and has exterritorial reach. That's why many companies are now considering to offer their services, their AI services, available in Korea. There's a lot of compliance obligations to comply with. Southeast Asia's approach is diverse but unified with ambition. Countries like Indonesia and Vietnam are experimenting with localized AI models, while Singapore leads in infrastructure and governance. Common themes include sovereign AI, data localization and strategic public private partnerships.
Leo von Gerlach	Well, that's interesting. So, we heard Byron already speaking about intellectual property rights. Now you, Tommy, speak about the AI Framework Act in South Korea and that's a nice in-role to the legal side of things. So, what does this positioning, this race, mean specifically for the legal function for companies operating in that technology field, how do they want to make their contribution to that competitive edge?
Tommy Liu	I think this is a two-layered thinking. The first layer is obviously for the AI or large language models to offer their services or to train their AIs, train the models in each respective region, be very careful on various issues. For instance, language is a key issue. If you want to offer one model in in one country for instance, Korea, the training needs to be in Korean needs to be a local language and whether the data sets purchased for the training have any legal compliance issues on upstream and once these data sets are purchased, to put into the model on the local basis or whether the output

	would cause any legal compliance risks. These are the legal functions of the AI models, and one needs to consider when they train their models on a local basis. And the second layer is probably the customer side, for enterprises for companies, SMEs, who are purchasing AI tools as part of their service offerings to leverage on the services, the SMEs, the companies need to be aware, need to carefully consider the subscription terms or commercial agreements as to how the output may be leveraged properly as part of their business. And, one step further, if, for instance, I'll take an example, a small company is trying to purchase an AI tool for advertisement placing on certain websites. While the services may be very helpful in the beginning, the client, the customer may one day want to leverage the data sets, the data output or the patterns generated from the AI tool for its future business operations, would this cause any issues? As part of its operation or commercial arrangement with AI offerings, companies need to plan ahead when they enter into service agreements with AI solutions, AI tools, they need to consider properly what they need to do and how do they plan to leverage the services in the future to either protect themselves or create their own AI models in the future.
Leo von Gerlach	Thanks, Tommy. Given the importance of that issue, how do the legal functions, the legal teams position themselves in that situation? I think the same question to you, Byron. How do you see these teams acting in China and then also in other countries of the region?
Byron Phillips	Ultimately, it comes down to risk identification and mitigation, without unreasonably putting the brakes on innovation, right? So, that's the key thing for these businesses and legal functions within these businesses are very much at the vanguard of that, trying to make sure that they balance out those competing interests of really wanting to innovate and the business wanting to grow and to develop into whatever it's seeking to be, whatever that mission might be, without ignoring the potential risks and the challenges that they might face and whichever country, whichever jurisdiction those businesses are in is critical for the legal function and ultimately the wider business, to stay informed about evolving regulatory frameworks related to AI, data privacy, cybersecurity. And they should develop their own comprehensive compliance strategies, including robust data governance policies, risk management protocols, ensuring they're training their staff from legal imperatives and best practices, is essential to ensure adherence to the various regulatory rules, which will have to adapt across different jurisdictions. And for many businesses that are operating across those jurisdictions, they're going to have to ensure that they are complying wherever they're operating. Moreover, maintaining close communication with the regulators and participating in industry discussions can help shape favorable policies and anticipate regulatory changes. So, it's a very outward-looking and inward-looking approach. And finally, and it's an obvious answer but preparing for clear documentation and policies and audit trails internally are absolutely vital for transparency and accountability, not only for operating the business but also in the event that regulators and

	other groups, other stakeholders come knocking or are looking to…look under the bonnet as it were.
Leo von Gerlach	So, that strongly resonates with me, starting with risk analysis then mitigation deriving some creative solutions, forward-looking solutions from that and eventually trying to make a positive contribution to the business, even from the legal side of things. And perhaps Tommy, now that we heard how that looks for companies located in the region, any perspective change for companies that want to do business in the region, coming perhaps from the United States or other Western nations?
Tommy Liu	I would take China as an example because I think that is probably the most appropriate, almost demonstrative kind of example. US companies face a complex landscape here. There are trade tensions, the tariffs and geopolitical rivalry. These are shaping supply chains and also a market access…market entry. In 2025, the US has imposed tariffs up to 49% on Asian imports, pressuring countries to reduce Chinese content. China responded, obviously, by deepening its integration into Asian economies, setting up for local production technology parks and even financial systems to a certain extent. This has made it harder for US policy to disrupt Chinese influence for any US companies who are looking to do business in Southeast Asian countries or in China. This means a few things. The US companies have to navigate dual compliance regimes. This is not new but it is a challenge that every company has to face to do business in both Asia, in Greater China and in the US. US export controls and Asia data sovereignty laws are the dual challenges each company is facing right now. U.S. companies are also to adapt to local AI governance frameworks. For instance, as discussed earlier, Singapore's AI Verify framework and most importantly, South Korea's AI Framework Act. And lastly, a point to note is U.S, companies has to build resilient and diversified money chains that meet the rules of origin and local content requirements. So, US companies have to plan ahead and carefully consider and navigate selves or different factors and different challenges in this process.
Leo von Gerlach	Alright, so now that we have looked into how to deal with the current situation, as always also the requirement of the legal function of the legal teams to look into the future and to spot things coming up on the horizon and perhaps that question to both of you, starting with you, Tommy. What should legal teams be aware of coming up soon?
Tommy Liu	During the process, we've advised a lot of customers. We've advised large language models on compliance issues globally. There are few issues that come to my mind as a regulatory lawyer. First of all is the IP and licensing. GenAI brings complex questions around copyright ownership and licensing models. High profile lawsuits, Byron may be the best place to advise on that as well, such as those involving Midjourney and OpenAI, have highlighted the urgency of clarifying ownership and licensing models. Legal teams should develop a strategy together with the business leaders for protecting proprietary models and data sets, negotiating licensing terms

	with vendors or monitoring evolving case laws and legislative reforms. The second point that I would like to share is about the algorithm bias and liability. AI systems that are trained on biased or incomplete datasets can produce discriminative outcomes, especially in hiring, lending and healthcare sectors. Our courts are beginning to tackle discrimination and harm caused by AI decisions. This will expose companies to legal liability, the relational damages and regulatory scrutiny. The EU AI Act and the US Algorithmic Accountability Act have mandated bias mitigation strategies. And lastly, from a data protection perspective, AI systems process vast amounts of personal data, willingly or unwillingly. It's often across borders. This has created tension with data localization laws. For instance, China's PIPL and EU's GDPR complicate compliance with cross-border transfer mechanisms like SEC and NBCR. For best practices, legal teams are recommended to conduct transfer impact assessments if relevant and also implement a privacy by design principle during the whole process.
Byron Phillips	Yeah, I agree with all Tommy said, obviously. In addition to that, with the sort of disputes lens, and looking at those risk elements, I suppose, ethics of AI, which Tommy has touched upon - this question about how we're going to allow AI to develop and how regulation can keep up, or the law can keep up with it. It's been the same with all elements of technology for as long as I can certainly remember. But with AI, it seems a much more consequential question as to how the law keeps up with AI and ensures that those guard rails are in place to make sure that innovation is encouraged, but not without an eye on consequence. In addition to that, I think that geopolitics is going to continue to be a question for businesses that are operating particularly across borders, as is often the case when it comes to issues of defence, countries tend to suddenly look quite inward and to be much more protectionist over their technology. A nd AI will be that times a million. And then an issue that is on the horizon but is also already here is liability and where liability lies for the acts of AI programs - that sort of sliding scale as to where responsibility will land is going to be an issue for a good while to come and certain jurisdictions are trying to put legislation around that and to find the sweet spot for where liability should be. But that's going to be certainly an issue for businesses going forwards and legal teams will be required to face that on a very regular basis.
Leo von Gerlach	That's very insightful. And with so many moving pieces for the legal functions, the legal teams to have their eye on have also complicated for the individual business lawyers. Perhaps a few words of recommendations and considerations. What that all means for the individual lawyer working in a team and trying to get through that maze, Byron?
Byron Phillips	Yeah, knowledge, knowledge, knowledge. I think, it's really, really important, right. I mean, they need to be keeping themselves abreast of the evolution of laws and regulatory activity across looking at it from an Asian point of view across Asia relates to AI data, governance, privacy, cybersecurity, national security and export controls, etc. On top of this, they have to be able to address supply chain risk and manage intellectual

	property, right, as Tommy very eloquently was describing before. Businesses are going to have to be nimble, innovative but also careful to ensure stakeholder engagement and whether that is with regulators or other government entities, industry groups, customers or their own people. And at the centre of all of this are the internal and external trusted advisers, who tend to be within the legal function, who can help businesses navigate that complex and involving cross-border environment. And it's about knowing the business that you are operating in. I t's about knowing where to seek external support when required and to ensure that you have the best possible legal team, whether that's internal or external or combination of both to address those issues as they arise. It's a complex and challenging environment for sure but, my word, it's a very exciting one. And so these legal functions within technology companies who are operating at that very frontiers of technology and those in non-technology companies who are using technology that is at the very frontier are in a fantastic position to really shape the way that business develops over the coming years and decades.
Leo von Gerlach	So you mentioned already ourselves, Byron, as legal service providers in private practice. Just a few succinct words at the end, what that kind of should all mean for ourselves and the service we render to our clients?
Byron Phillips	Well, I think it's the mere image of that. It's ensuring that we bring all of our expertise and knowledge and experience in handling the various myriad issues that Tommy and I have described, bringing that to our clients and ensuring that we bring the sanctions and export controls, experience the commercial technology disputes, experience the IP disputes, experience, the privacy experience, all of that together, as well as our regulatory expertise. That's a package for our clients. So, our clients know that all of those issues are covered off for them, and we're nimble enough to help them to address and traverse these issues as and when they arise.
Leo von Gerlach	Right, Byron, Tommy, that has been absolutely fantastic listening to you. So, thank you so much for your deep and considerate insights and thank you everybody for listening in and I hope you join us again for the next edition of The Influencers that will be coming up soon. So, thank you. Take care. Goodbye.
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