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What Is DeepSeek: Everything You Need To Know About It

In the realm of artificial intelligence (AI), a common belief has persisted: developing cutting-edge large language models (LLMs) demands vast technical expertise and financial resources. This notion has underpinned significant government and corporate investments, such as the U.S. government's pledge of support for the \$500 billion Stargate Project announced by former President Donald Trump. However, the emergence of DeepSeek, a Chinese AI startup, has upended these assumptions, sparking global attention.

DeepSeek made headlines by rapidly climbing app download charts and sending shockwaves through U.S. tech markets, even prompting President Trump to call it a "wake-up call" for American firms. The company's success rattled investors, wiping billions off the market value of semiconductor giant Nvidia and raising questions about the presumed dominance of U.S. companies in the AI revolution.



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What is DeepSeek?

DeepSeek is an AI development firm headquartered in Hangzhou, China. Founded in May 2023 by Liang Wenfeng, a graduate of Zhejiang University, the company operates as an independent AI research lab under High-Flyer, a China-based quantitative hedge fund that Wenfeng also co-founded. While DeepSeek's total funding and valuation remain undisclosed, its technological breakthroughs have made it a formidable competitor in the global AI landscape.

DeepSeek specializes in developing open-source LLMs. Its first model debuted in November 2023, and the company has since iterated multiple times, releasing various model versions. However, its major breakthrough came in January 2025 with the launch of the DeepSeek-R1 reasoning model, propelling the company to global fame.

Unlike many AI firms that require extensive resources for training models, DeepSeek claims to have achieved its advancements at a fraction of the cost. Researchers behind the project estimate that training the R1 model cost approximately \$6 million—significantly lower than the “over \$100 million” OpenAI CEO Sam Altman referenced when discussing GPT-4.

Who is the Founder of DeepSeek?



DeepSeek’s founder, Liang Wenfeng, is not a typical Silicon Valley AI entrepreneur. With a background in finance, he serves as the CEO of High-Flyer, a quantitative hedge fund that leverages AI for algorithmic trading. In 2019, High-Flyer became the first quantitative hedge fund in China to surpass 100 billion yuan (\$13 billion) in assets under management. Wenfeng’s financial acumen and AI expertise have positioned DeepSeek as a unique force in the industry, blending AI research with practical financial applications.

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OpenAI vs. DeepSeek

DeepSeek’s rise represents a significant challenge to OpenAI, the company that revolutionized generative AI with the launch of ChatGPT in 2022. OpenAI’s dominance has been largely driven by its proprietary GPT models and o1-class reasoning systems. However, DeepSeek’s approach diverges in key areas:

	OpenAI	DeepSeek
Founding year	2015	2023
Headquarters	San Francisco, Calif.	Hangzhou, China
Development focus	Broad AI capabilities	Efficient, open source models
Key models	GPT-4o, o1	DeepSeek-V3, DeepSeek-R1
Specialized models	Dall-E (image generation), Whisper (speech recognition)	DeepSeek Coder (coding), Janus Pro (vision model)
API pricing (per million tokens)	o1: \$15 (input), \$60 (output)	DeepSeek-R1: \$0.55 (input), \$2.19 (output)
Open source policy	Limited	Mostly open source
Training approach	Supervised and instruction-based fine-tuning	Reinforcement learning
Development cost	Hundreds of millions of dollars for o1 (estimated)	Less than \$6 million for DeepSeek-R1, according to the company

Key Innovations of DeepSeek

DeepSeek employs a distinct approach in training its R1 models, setting it apart from OpenAI. Its training process is designed to be more time-efficient, requiring fewer AI accelerators and significantly reducing costs. The company's ultimate goal is to achieve artificial general intelligence (AGI), and its advancements in reasoning capabilities represent a major step toward this objective.

A research paper released by DeepSeek highlights several key innovations within the R1 model:

Reinforcement Learning: DeepSeek implements a large-scale reinforcement learning approach optimized for complex reasoning tasks.

Reward Engineering: Researchers developed a rule-based reward system that outperforms conventional neural reward models. Reward engineering involves designing the incentive structures that guide AI learning during training.

Distillation Techniques: DeepSeek leverages efficient knowledge transfer methods to compress powerful AI capabilities into models as small as 1.5 billion parameters.

Emergent Behavior Networks: A breakthrough discovery by DeepSeek reveals that complex reasoning patterns can emerge naturally through reinforcement learning without requiring explicit programming.

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Why DeepSeek is Raising Alarms in the U.S.?

The success of DeepSeek-R1 has not only garnered attention but also triggered significant concerns in the United States. On January 27, 2025, DeepSeek's advancements led to a sharp sell-off in tech stocks, causing the Nasdaq to plunge over 3%. Nvidia, once the world's most valuable company,

saw its market capitalization shrink from \$3.5 trillion to \$2.9 trillion in a single day, according to Forbes.

Several factors contribute to the alarm surrounding DeepSeek in the U.S.:

- **Cost Disruption:** DeepSeek's ability to develop high-performance models at a fraction of the cost threatens the business models of U.S. AI firms that have invested billions into proprietary technologies.
- **Technical Independence Despite U.S. Sanctions:** Despite export restrictions on high-performance AI chips, DeepSeek has demonstrated that cutting-edge AI development can still thrive in China.
- **Business Model Shift:** DeepSeek's open-source model poses a direct challenge to companies like OpenAI, which rely on subscription-based revenue streams.
- **Geopolitical Implications:** DeepSeek's success represents a shift in global AI leadership, challenging the long-standing technological dominance of U.S. firms. Venture capitalist Marc Andreessen likened it to AI's "Sputnik moment," drawing parallels to the Soviet Union's space race breakthrough in the 1950s.

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What is the Impact of DeepSeek on China?

DeepSeek's rise marks a significant milestone for China's technological ambitions. The Chinese government has actively sought to reduce reliance on Western tech, and DeepSeek's achievements align with this goal. While the Chinese Communist Party has not officially commented on DeepSeek's success, state media has celebrated the company's role in unsettling Silicon Valley and Wall Street.

Marina Zhang, an associate professor at the University of Technology Sydney, describes DeepSeek's rise as a testament to China's "Innovation 2.0"—a new era of indigenous technological leadership led by a younger generation of entrepreneurs. However, she also warns that this shift may lead to increased "tech isolationism."

Conclusion

DeepSeek's rapid ascent in the AI industry has reshaped global expectations, proving that state-of-the-art AI development is not exclusive to firms with deep pockets or access to top-tier Western technology. Its breakthroughs in reasoning models, cost-efficient AI training, and open-source approach have positioned it as a formidable competitor to OpenAI and other major U.S. tech companies.

As the AI landscape continues to evolve, DeepSeek's success underscores a broader shift in global technology leadership—one that could redefine the balance of power in AI for years to come.

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