



Insight

AI Policy in Transition: Trump's Second Term

ANGELA LUNA | JANUARY 15, 2025

Executive Summary:

- President-elect Trump's approach to artificial intelligence (AI) policy during his first term – characterized by efforts to prioritize federal research and development and direct federal agencies to reduce barriers to AI development and adoption – offers insight into how he will set AI policy during his second term.
- Trump has signaled plans to repeal President Biden's executive order on AI – citing concerns about its potential to hinder innovation – and may also seek to address the fragmented AI policy landscape with a unified federal AI framework; or he may simply opt for a decentralized model in which states craft their own AI policies.
- The intensifying global AI race may lead his administration to reinforce export controls and position AI as a strategic tool for countering China; yet achieving U.S. AI leadership will hinge on the challenge of balancing innovation with national security in a competitive global landscape.

Introduction

Given the rapid advancements in AI technology and the evolving legal landscape, both domestically and internationally, AI policy has become a critical priority for the incoming administration. The Trump Administration's first term laid the groundwork for a federal AI strategy through Executive Order 13859, "[Maintaining American Leadership in Artificial Intelligence](#)", in February 2019. The order launched the [American AI Initiative](#), which prioritized advancing AI research and development (R&D) across government, industry, and academia. Additionally, through a [memorandum](#), agencies were directed to adopt regulatory practices supporting innovation and fostering global competitiveness in AI industries.

During his second term, Trump will face the challenge of managing a fragmented AI landscape and growing tensions among lawmakers, industry, academia, and other stakeholders. The current U.S. landscape of AI legislation is characterized by a [patchwork](#) of state regulations and a set of executive actions from both Trump and Biden's Administrations, as well as agency-led initiatives. For his part, Trump has signaled plans to repeal Biden's AI executive order, citing [concerns](#) about excessive regulation and its potential to hinder innovation. Additionally, Trump will face a big decision: should he back a national AI framework that takes over from state laws, or let states keep doing their own thing with AI rules? Those who support a national approach say it would reduce the mess of having different regulations in every state. They argue this patchwork setup drives up costs for businesses and slows down innovation—think of companies juggling 50 different rulebooks! On the flip side, people who support the state-by-state model believe it's better because states can tailor their policies to fit their unique needs.

On the international front, the incoming Trump Administration is also poised to adopt a more assertive AI policy agenda driven by emerging geopolitical pressures. At the forefront of these issues is U.S. competition with China, where AI has become a central component of national security strategy. Likely measures include tightening AI export controls to prevent U.S. adversaries from accessing restricted AI chips and models. Trump also is likely to intensify efforts in building-out military AI, responding to China's growing AI capabilities with increased collaboration between U.S. companies and defense initiatives, referred to as "[Manhattan Projects](#)." This shift will likely entail an approach that retains elements of current policy, such as cybersecurity guidelines, while emphasizing AI's role in economic growth.

The successful navigation of these challenges will require a vision that fosters innovation in AI while safeguarding national interests and ensuring international leadership.

The Previous Trump Administration

During his first term in office, President Trump laid the groundwork for a federal AI strategy that sought to maintain U.S. leadership in AI by investing in R&D and eliminating barriers to development.

His administration did this through two main initiatives: the Executive Order on Maintaining American Leadership in Artificial Intelligence, which launched the American AI Initiative, and the Memorandum for Federal Agencies on AI Oversight. The Executive Order on AI, issued in 2019, underscored the importance of AI to the nation's economic and national security. It articulated six strategic objectives, including enhancing AI R&D investment, increasing access to federal data and computing resources, reducing barriers to AI

deployment, and establishing technical standards for AI. Building on this framework, the American AI Initiative operationalized the executive order by fostering collaboration among federal agencies, industry, academia, and international allies. It aimed to double non-defense AI R&D spending within two years, increase workforce training, and promote AI development.

Finally, the Memorandum for Federal Agencies on AI Oversight provided a blueprint for governance that encouraged innovation. It urged agencies to avoid precautionary approaches that could stifle AI development and instead focus on non-regulatory solutions such as sector-specific guidelines, pilot programs, and voluntary frameworks. It also tasked agencies with identifying opportunities to improve data accessibility and enhance AI adoption. By emphasizing the importance of balancing innovation with privacy, security, and civil liberties, the memorandum aimed to ensure a supportive environment for the safe and effective deployment of AI technologies.

The State of AI Policy and Its Future Direction

The current AI landscape reflects initiatives from both the Trump and Biden Administrations. With Congress failing to pass comprehensive AI legislation during Biden's term, his [administration](#) leaned on federal agencies to craft frameworks using existing authorities, as demonstrated by the president's Executive Order on Safe, Secure, and Trustworthy Artificial Intelligence, which outlines broad mandates for federal agencies including to evaluate AI's societal impacts and establish standards for safe deployment. Such an approach, however, has raised [concerns](#) that empowering the administrative state to implement extensive regulations could hinder AI innovation in the United States. Meanwhile, in the absence of a unified federal standard, states have implemented diverse policies to regulate various aspects of AI, including in the areas of government use, civil rights, intellectual property, and transparency.

For his second term, Trump has signaled plans to [repeal](#) President Biden's executive order on AI, claiming it imposes constraints on innovation and is ideologically driven. For example, critics including the incoming Vice President JD Vance [argue](#) such regulations entrench big tech players, disadvantaging startups. At the same time, the administration may explore federal [preemption](#) of certain state AI regulations or a decentralized model under which states craft their own AI policies and target sector-specific challenges and needs. Some states including California and Colorado have enacted AI laws that could raise compliance costs for companies nationwide and potentially hinder competitiveness. In contrast, supporters of a decentralized model highlight its adaptability, enabling innovation tailored to diverse states and sectors.

Trump in his second term will face an AI landscape defined by an intensifying global race for technological supremacy, with China emerging as the principal competitor. This geopolitical dynamic will likely compel his administration to prioritize AI as a cornerstone of U.S. national security strategy. Trump may double down on AI export controls to curb China's access to advanced AI chips and models, building on Biden-era export controls that have already [targeted](#) critical technologies but which are limited in effectiveness by black markets and cloud-based access to chips. A second Trump Administration will likely work to narrow these gaps, ensuring stricter enforcement.

Military AI development may also take center stage. The incoming administration could initiate a "[Manhattan Project](#)" for AI in defense, deepening collaboration between the government and private companies. These partnerships would focus on leveraging AI for intelligence, operations planning, and national security, countering China's military advancements in the field. Yet achieving true leadership in AI will require navigating the balance between fostering domestic innovation and safeguarding national security interests. Striking this balance will not only demand precision in crafting policies that distinguish between low and [high-risk](#) AI applications but also necessitate building stronger partnerships with industry leaders to ensure that regulation does not stifle technological progress.