

Chip Export Controls

BY CHRISTINE MUI, ROSMERY IZAGUIRRE | 03/28/2025 05:00 AM EDT

PRO POINTS

- The global tech industry, foreign nations and even some of President Donald Trump's own former officials are at odds over how he should handle a late-Biden-era rule known as the AI Diffusion Framework that governs the global flow of AI chips.
- Lobbying on the issue is reaching a fever pitch and only expected to escalate as the May 15 deadline approaches for public comments on changes to the AI chip export rule.
- The Commerce Department has early drafts of multiple measures, including one that would streamline and simplify restrictions on AI chip exports while potentially tightening them.
- The administration has also discussed expanding controls to Nvidia's lower-grade H20 chips — a 2024 idea that gained momentum after the rise of the Chinese AI app DeepSeek.

How We Got Here

Sharpening the U.S. export control system for technology was a central focus for both former President Joe Biden and the first Trump administration. They aggressively used the Commerce Department and its export control office, the Bureau of Industry and Security, to block China in the race for technologies like 5G telecom equipment, quantum computing, artificial intelligence and the powerful chips behind it.

The Biden administration's clampdown on U.S. tech exports began with a set of October 2022 controls on advanced chips in an attempt to hold back China's development of its AI industry. Those were regularly updated over the next two years to address apparent loopholes and spread to other parts

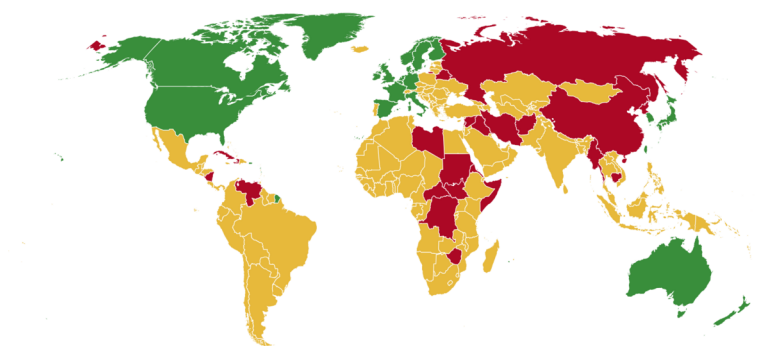
of the supply chain like cutting-edge memory chips and semiconductor manufacturing equipment.

The global tech industry — and even former Trump officials — have fractured over how President Donald Trump should proceed, especially on a late-Biden-era export rule known as the “AI Diffusion Framework” that regulates the global spread of AI chips and is meant to prevent the smuggling of restricted chips into China via third countries. The policy carves the world into three tiers with distinct licensing requirements and imposes limits on the sale of U.S. AI chips to about 150 countries, including allies like Poland and Israel.

AI diffusion framework would impose restrictions on chips sales to several US allies

Restriction tiers for chips sales outlined by the AI diffusion framework

- Tier 1: No limits
- Tier 2: Restricted sales
- Tier 3: Arms-embargoed countries (no access)



Source: Bureau of Industry and Security, Center for Strategic and International Studies, Department of Commerce
Rosmery Izaguirre/POLITICO

The future of export controls in Trump's second term is still under deliberation. Under his Day One executive order on trade, Trump ordered the Commerce and State Departments to lead a review of the export control regime. Hanging over their discussions is the sudden rise of Chinese AI startup DeepSeek, which sent Washington and Silicon Valley into a tizzy early this year with a breakthrough model that seemingly rivaled U.S. counterparts for a lower cost.

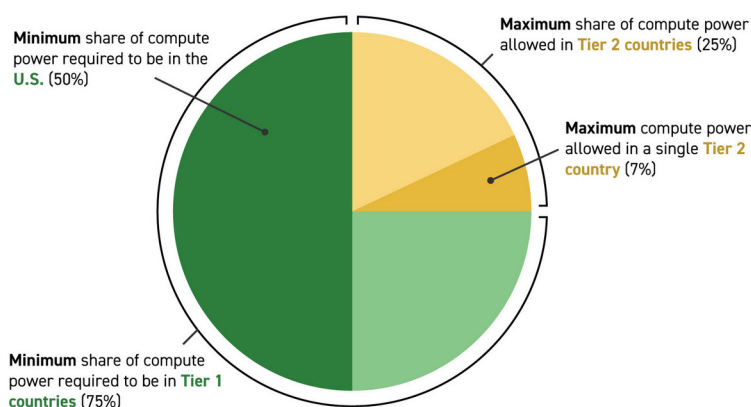
On Capitol Hill, DeepSeek accelerated calls for stricter restrictions from lawmakers like Sens. Josh Hawley (R-Mo.) and Elizabeth Warren (D-Mass.), as well as from the House Select China Committee. Lawmakers inked letters to Commerce Secretary Howard Lutnick and national security adviser

Michael Waltz, urging them to close loopholes that may have enabled the Chinese breakthrough and demanding they extend export controls to a particular kind of chip, Nvidia's H20.

The House Foreign Affairs Committee, now chaired by Rep. Brian Mast (R-Fla.), became one of the sounding boards for security hawks and industry players, as they try to decode the Trump administration's position and who exactly within it will steer export strategy around strategic technologies. Mast has hosted company leaders from Anthropic and former officials for a series of closed-door roundtables on export controls, Deep Seek, and the U.S.-China AI competition.

AI diffusion framework would require US companies to maintain chip processing power mainly within the US and allied countries

Under the framework U.S. companies must keep the share of their global compute power within thresholds set for Tier 1 and Tier 2 countries



Source: Bureau of Industry and Security, Center for Strategic and International Studies, Department of Commerce
Rosmery Izaguirre/POLITICO

What's Next

According to the review Trump ordered of U.S. export control policy, the Commerce Department must coordinate recommendations from relevant agencies and deliver a report to the White House by April 1, with an eye toward “necessary modifications in light of developments involving strategic adversaries” and closing loopholes in existing rules.

The deadline for public comments on revisions and additions to the AI diffusion rule is May 15, and critics are growing increasingly vocal. Ever since that policy took effect as an interim final rule in January, industry giants like Nvidia, Oracle, Microsoft and Amazon have urged Trump to

revisit it, warning it could undercut U.S. AI leadership. Tech and semiconductor industry groups have echoed their argument.

But top trade groups told POLITICO this month that they have not gotten reassurances that the Trump administration would abandon export rules issued in the final weeks and months of Biden's presidency. Instead, the Trump administration is weighing at least three actions that would escalate Biden-era restrictions, five people familiar with the deliberations told POLITICO.

Those potential actions could come in the form of executive orders or presidential memorandums — and are likely to include a measure to simplify while potentially toughening the AI diffusion rule. Another possible action centers on growing concerns over remote access — where foreign entities have harnessed the power of restricted chips through the cloud — and is seen as a precursor to future U.S. export controls on cloud computing technology. The final measure under consideration targets AI model weights, the essential inputs used to learn patterns in data, with potential implications for Chinese AI apps like DeepSeek.

If it implements those actions, the administration would be siding in part with Anthropic, Scale AI and AI safety advocates like Dan Hendrycks, an advisor to Elon Musk's xAI, who want stronger controls. OpenAI has also mostly given the tiered system its approval while pressing Trump to wield export controls as a tool in influencing other countries to develop AI technology with democratic principles.

But though Bureau of Industry and Security staff started drafting the measures in February, recent waves of departures and terminations at the agency threaten to derail their rollout and other priorities of Trump's trade agenda. The Trump administration has also had early discussions about expanding controls to lower-grade Nvidia H20 chips. The idea originated under Biden, but the DeepSeek breakthrough convinced more people within the White House to view it as necessary.

As for Congress, the House Foreign Affairs Committee said several export control-related bills are in the pipeline, though not yet announced.

Legislative efforts may resurrect last term's ENFORCE Act, which would update BIS' authority to restrict exports of AI systems that have national security implications.



POWER PLAYERS

- **Jeffrey Kessler:** The recently confirmed Trump appointee heads the Bureau of Industry and Security, the agency in charge of administering and enforcing export controls.
- **Dave Feith:** Feith oversees technology and national security issues at the National Security Council, the nerve center that coordinates interagency export control decisions and advises on the ever-evolving challenge of outpacing China.
- **Rep. Brian Mast (R-Fla.), House Foreign Affairs chair:** His committee oversees the law that gives the president, through BIS, powers to control exports of dual-use technologies like AI chips.
- **Jensen Huang, Nvidia CEO:** Huang helms a company that is one of the tech world's most valuable and also most often caught in the crossfire of export controls. Nvidia is the leading supplier of the powerful chips used to train AI models.
- **Howard Lutnick, Commerce secretary:** Lutnick is a staunch defender of Trump's boldest trade initiatives, who has committed to rigorously enforcing existing export controls. Lutnick was also tasked to pull together the April report advising on changes to the current policies and has the authority to finalize regulatory changes introduced under Biden.