US imposes new chip sanctions aimed at China

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US action against China's use of Nvidia chips in the development of AI has been stepped up in the wake of the ousting of Jensen Huang as CEO of the company.

Anti-China hawks within the Trump administration and the Democratic Party have been pushing for some time for more restrictions. But they have been deflected by president Trump and his commerce secretary, Howard Lutnick, fearful of a backlash from China because of its control of rare earths and critical minerals vital for AI and key sections of American industry.

But on Monday, in the wake of Huang's resignation the previous Thursday, the Department of Commerce (DOC) issued new rules requiring data center operators in third countries to obtain a US export license to purchase advanced AI chips from Nvidia and other US firms.

The new rules are aimed at trying to prevent access by Chinese firms to these chips via computing arrangements with data processing centres in Singapore, Malaysia, Thailand and Indonesia and the re-export of chips to China.

They were announced by the DOC's Bureau of Industry and Security (BIS). But the 132-page document announcing the measures was not drawn up by its officials. In its statement, the BIS said the interim final rule was "written by and at the direction of the Department of the Treasury and the National Security Council."

The BIS statement it was told to deliver said: "The rule is designed to ensure that existing restrictions on access to sensitive American technology cannot be circumvented through remote computing arrangements involving data centers in third countries."

Both the Treasury and the military intelligence establishment have been pushing back against the DOC for what they consider its failure to take action against Chinese measures to circumvent existing bans. Treasury secretary Scott Bessent has openly criticised Lutnick over the issue.

Speaking to reporters as he departed on his trip to Manila and China for the APEC summit meeting, Trump referred to the conflict within his administration. Describing the opposed camps, he said: "One wants to be friendly with China, and one wants to have a blowup with China. I don't think you want to insult China just before you get there."

In response to the new rules, Nvidia said it had set up a new committee to oversee compliance with US national security. A statement issued in the name of the new board chair, Harvey Jones, said the company was working with government and industry partners to develop "a robust framework that uses every tool at our disposal to safeguard national security while supporting continued technological innovation."

The latter phrase was a nod to Huang's insistence that restrictive controls hamper such development and that the best way to ensure the supremacy of the US is to ensure that China is "addicted" to its chips.

The issuing of the new rules has already had an impact on southeast Asian countries, with a report in the *New York Times* describing them as "rattled."

The government of Singapore issued a statement that it was "engaging the relevant authorities on the scope and implementation of the measure.

"As a global hub for technology and trade, Singapore will continue to safeguard the integrity of our business environment and continued access to advanced semiconductors and computing capabilities for legitimate companies operating here, and act against those who flout our laws," it said.

The Indonesian government said it was developing a

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framework to "facilitate legitimate trade" and preventing sensitive technologies from being "diverted or misused."

The *Times* cited comments by Steve Okun, chief executive of APAC Advisors, a geopolitical consulting firm, who pointed to the broader implications of the latest US move. He noted that countries such as Malaysia had benefited from maintaining close ties with both Washington and Beijing—a balancing act that would now be harder to continue.

"The 'don't make us choose' era is coming to an end," he said. "When it comes to AI and sensitive technologies, countries will need to choose the US-led tech stack versus China."

In line with the push by the military intelligence establishment and Bessent at Treasury for more measures directed against China, Congress is seeking, with bipartisan support, to push through a series of bills to curb overseas sales of chips and to block sales already approved by the Trump administration.

Much attention is focused on Megaspeed and whether one of its executives Alice Huang, with whom Huang had an affair, was a spy for Chinese intelligence and whether the company was sending chips to China. It has been reported that the DOC delayed efforts to have Megaspeed added to a list of companies considered to be a risk to US security. Last week Bessent said his department had been "in favour of putting Megaspeed on the entity list for months."

The new export controls are the latest in a series of measures aimed at trying to halt the rise of China, all of which have failed, as China continues to develop new technologies which are close to par with those of the US. As the *World Socialist Web Site* has noted, the nationalist agenda of the US is bankrupt both in the short and medium term, because "the production of chips and AI models is a single global process, in which China is the centre of world manufacturing" and its rise cannot be halted short of war.

Moreover, China has economic weapons with which to hit back. They were on display in the wake of Trump's massive "reciprocal tariffs" in April 2025. Restrictions on the export of critical minerals, for which China is the main processing centre, threatened a crisis in American manufacturing, forcing Trump to retreat and seek a deal.

In an article reviewing the background to the conflict within the administration over China, the *Wall Street Journal*, citing a Trump administration, official, recalled that at the height of the conflict last year, "the administration was warned that every car plant in the US would shut down within two or three months without additional Chinese rare-earth magnets."

That threat remains. A temporary truce was established at Busan, South Korea, following a meeting between Trump and Chinese president Xi Jinping at the end of October last year, which expires on January 10.

The US has accused China of not meeting its Busan commitments, particularly on the vital issue of rare earths, with China only fulfilling two thirds of its pledge. The issue was raised by Bessent and trade representative Jamieson Greer in a call with He Lifeng, the Chinese vice-premier in charge of trade, earlier this month.

China has rejected the US claims that it is not meeting its commitments on rare earths.

As one analyst cited by the *Financial Times* noted, if the two sides could not agree on what they had promised each other "extending the truce could get considerably messier."

And the tensions have risen, because those comments were made before the latest escalation following the Nvidia events and the unleashing of the China hawks on both sides of the political aisle in the US.

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