

US tightens curbs on AI chip exports to China

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China's Premier Li Qiang (R) speaks with US Commerce Secretary Gina Raimondo in Beijing in August 2023.

The United States on Tuesday said it was tightening curbs on exports of state-of-the-art AI chips to China, sending the share price of Nvidia and

other semiconductor companies plummeting on Wall Street.

The measures are the latest chapter in the policy started under the Trump administration to limit Beijing's ability to gain ground and become a leading tech economy.

"Today's updated rules will increase the effectiveness of our controls and further shut off pathways to evade our restrictions," said US Commerce Secretary Gina Raimondo.

The new rules tighten measures taken a year ago that banned the sale to China of microchips that are crucial to the manufacturing of powerful AI systems.

But calls to further close the supply chain grew after the world discovered the powers of AI with the launch of ChatGPT.

Also causing alarm in Washington was news that China-owned Huawei had released a new smartphone that featured a powerful home-grown advanced chip.

Curbing military development

In a statement filed late Tuesday, Nvidia said the new rules "may impact the Company's ability to complete development of products in a timely manner, support existing customers of covered products, or supply customers of covered products outside the impacted regions."

The rules may even "require the Company to transition certain operations out of one or more of the identified countries," it added.

When announcing the beefed-up curbs, Raimondo insisted they were intended to close loopholes and prevent China's development of AI for

military use.

"It's true that AI has the potential for huge societal benefit. But it also can do tremendous and profound harm if it's in the wrong hands and in the wrong militaries," she told US media.

Attention has been focused on Nvidia's industry-leading H100 chip, which is crucial for the creation of generative AI, the technology behind ChatGPT and other powerful systems.

Tuesday's update widened the ban to other, lower-performing chips made by Nvidia and other manufacturers that were going to China unrestricted.

The rules will not affect chips used in consumer goods such as laptops, smartphones and gaming consoles, though some will be subject to export licensing requirements, a statement said.

'Permanent loss'

Nvidia's share price sank sharply following the announcement and closed down 4.7 percent.

Rival chip makers Intel and AMD also finished trading lower.

The chip giants have lobbied hard to prevent further curbs on their business in China.

During an earnings call in August, an Nvidia executive warned against the tougher curbs, saying they would lead to "a permanent loss" in being competitive in China.

The Semiconductor Industry Association on Tuesday criticized any

"overly broad, unilateral controls" that would punish the industry "without advancing national security."

Trade curbs "encourage overseas customers to look elsewhere" for the chips they need, it added.

On a bridge-building visit to China in August, Raimondo said the US was seeking a more normalized relationship with the world's second-biggest economy, but the new curbs drew an angry reaction from Beijing.

Following Tuesday's announcement, China said it was "strongly dissatisfied" and "firmly opposes" the curbs.

"The US continues to generalize the concept of national security, abuse export control measures, and implement unilateral bullying," the commerce ministry said in a statement.

"The semiconductor industry is highly globalized, and US improper regulation seriously undermines market rules and international economic and trade order, and seriously threatens the stability of the global industrial supply chain."

After the US announced the initial export ban last year, China responded with its own curbs, including the introduction of a license requirement to export the rare minerals vital in the production of semiconductors.

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