

## **Restrictions on export of Integrated Circuits from U.S. to China**

Recent action by the Biden administration has sought to reduce exports and limit the exchange of technology and experience from the United States to China related to Integrated Circuits and semiconductor chips. While most consumer semiconductor applications are concerned with personal computers and smartphones, semiconductor chips can play a key role in smart weapons, artificial intelligence, supercomputing, and AI for military intelligence.<sup>1</sup> Because of this, an advantage in semiconductor chip technology can have national security implications. The economic impact of restricting the export of technology with consumer and commercial usage should be concerning. However, it is not surprising considering the rising tensions caused by economic competition, geopolitical positioning and cyberattacks attempting to steal trade secrets of U.S. companies.<sup>2</sup>

Restrictions have been implemented by the Commerce Department, through rules expanding Export Administration Regulations (“EAR”).<sup>3</sup> The Bureau of Industry and Security, part of the Department of Commerce, announced the justification and goal of two new rules limiting export. The rules purposes are to “restrict the PRC’s [People’s Republic of China’s] ability to obtain advanced computing chips, develop and maintain supercomputers, and manufacture advanced semiconductors. These items and capabilities are used by the PRC to produce advanced military systems including weapons of mass destruction; improve the speed and accuracy of its military decision making, planning, and logistics, as well as of its autonomous military systems; and commit human rights abuses.”<sup>4</sup>

While the language sounds harsh, the commercial impact on companies and persons appears broader. To achieve their desired goal, the rules impose limitations on U.S. persons supporting the development or production of integrated chips in China. The new rules further prohibit U.S. persons from participating in support roles, as well as roles related to production and development.<sup>5</sup> With the addition of these regulations, and because of the integrated nature of global supply lines, companies will require greater diligence to avoid issues. The effects of these limitations are yet to be determined and will likely depend on the cooperation of the other nations with advanced semiconductor chip and supercomputing technology. Regardless, this action demonstrates a harsher U.S. policy which will impact private companies and individual persons working internationally.

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<sup>1</sup> *Why the US cut China Off From Advanced Chips*, NPR (Oct. 19, 2022), <https://www.npr.org/transcripts/1129990818>.

<sup>2</sup> *Id.*

<sup>3</sup> Jonathan Cross, *United States: BIS Implements Sweeping New Export Controls Targeting China*, MONDAQ (Oct. 21, 2022), <https://www.mondaq.com/unitedstates/export-controls-trade-investment-sanctions/1242540/bis-implements-sweeping-new-export-controls-targeting-china->.

<sup>4</sup> BUREAU OF INDUSTRY AND SECURITY, COMMERCE IMPLEMENTS NEW EXPORT CONTROLS ON ADVANCED COMPUTING AND SEMICONDUCTOR MANUFACTURING ITEMS TO THE PEOPLE’S REPUBLIC OF CHINA, OFFICE OF CONG. & PUB. AFFAIRS(2022).

<sup>5</sup> *Id.*