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Congress of the United States
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SELECT COMMITTEE ON THE CHINESE COMMUNIST PARTY

August 25, 2025

The Honorable Howard W. Lutnick
Secretary
U.S. Department of Commerce
1401 Constitution Avenue
NW Washington, DC 20230

Dear Secretary Lutnick,

I know we share the goal of ensuring that the United States—not the People's Republic of China—provides the tech stack that powers the coming AI revolution. If we are to achieve this aim, we must ensure the United States maintains superiority not only in AI hardware, but in AI software and models. U.S. AI dominance will be critical for national security as China attempts to embed frontier AI systems across its security, military, and intelligence sectors.

This threat goes beyond China: we have repeatedly seen the Chinese Communist Party proliferate its technology and weapons to enable Russia, Iran, and proxy groups to attack American partners and allies. Iran, in particular, will be eager to take advantage of PRC-enabled AI capabilities. A version of R1 that DeepSeek has fine-tuned for the PLA using American chips is now a feasible option on the menu of Chinese military capabilities for sale. For example, AI-enabled drone swarms sold to Iran with sophisticated autonomous navigation, cooperative networking, electronic warfare capabilities, and target discrimination could threaten American or Israeli units in the region in ways that current systems may struggle to counter.

To maintain its current AI hardware and software dominance, the U.S. must use export control policy to balance various objectives. It must continue to ensure China's dependence on U.S. hardware, protect U.S. semiconductor companies, as well as limit China's AI capabilities. Selling chips directly to Chinese firms can help continue their reliance on hardware. However, if U.S. chip companies are allowed to sell even moderately better chips than China can itself produce indigenously, these chips will directly undermine U.S. companies that develop AI and provide the compute; the hyperscalers, such as Google, Microsoft, and Amazon; and the frontier labs like OpenAI, Anthropic, Google, xAI, and Meta.

With this in mind, I write to propose a concrete, practical way for the Department of Commerce and the Bureau of Industry and Security (BIS) to balance the desire to keep China dependent on U.S. hardware and limit China's advanced AI capabilities: **a *rolling technical threshold* (RTT)**

for sales of advanced U.S. AI chips to China based on the current AI relevant technology paired with a limitation on China's aggregate computing power. Rather than tying our export control threshold to America's chipmaking capabilities (e.g., selling China our fourth best chip or one with a 50% reduction from the leading edge), we should instead sell only chips that represent up to a *marginal improvement over the most advanced chip China can produce domestically at a commercially relevant scale while also limiting China's aggregate computing power to 10% of that of the U.S.* This allows us to extend Chinese dependence on the U.S. hardware stack while also substantially limiting China's frontier AI development.

Today, BIS can define the RTT using four observable, auditable parameters for each "generation" of AI chips. These parameters include four performance metrics that BIS already uses today for controlling AI chips: total processing performance, performance density, interconnect speed, and memory bandwidth. *Based on an annual medium- or high-confidence level intelligence community assessment of China's chip capability and capacity, BIS would be able to accurately set the RTT and estimate China's aggregate compute for sales into China.*

Today, China's indigenous commercial-scale production for any AI chip is a fraction of that of the United States'. Huawei markets the Ascend 910C chip, which is China's leading AI chip both in terms of quality and quantity. But as you noted in your recent testimony to the Senate Appropriations Committee, the Commerce Department projects that Huawei will be able to indigenously manufacture only up to 200,000 Ascend AI chips in 2025. U.S. companies are deploying around 14 million AI chips this year.[1] Moreover, as reported in the Financial Times, Huawei's chips are of such low quality that, after using Huawei chips at the insistence of the CCP, DeepSeek failed to train its latest AI model using them due to persistent technical issues.[2] Therefore, despite recent reports citing China's security concerns regarding Nvidia chips, Chinese AI developers will not have a viable alternative to U.S. chips for the foreseeable future.[3]

I completely agree with your goal of maintaining over 50% of global AI compute within the United States.[4] To that end, **we must also include guardrails to prevent "death by a thousand sub-threshold chips."** The previous administration's approach to export controls focused too much on *specific kinds of chips* and not enough on the *total amount of AI compute*. **Maintaining AI dominance is as much about controlling the sale of chips as it is about the overall amount of AI compute that a nation possesses.** Our export control policy must aim to maintain an overwhelming and ever-widening gap in AI compute between China and the U.S. at a country-level. This requires not only looking at the specifications of individual chips but also focusing on their *combined performance when networked at scale*.

[1] Martínez, Margarita Konaev, and Gregory C. Allen. *AI Diffusion Framework: Securing U.S. AI Leadership While Preempting Strategic Drift*. Center for Strategic and International Studies (CSIS), 17 July 2024, www.csis.org/analysis/ai-diffusion-framework-securing-us-ai-leadership-while-preempting-strategic-drift.
[2] Olcott, Eleanor and Zijing Wu. "DeepSeek's Next AI Model Delayed by Attempt to Use Chinese Chips." *Financial Times*, published last week, 14 Aug. 2025. https://www.ft.com/content/eb984646-6320-4bfe-a78d-a1da2274b092.
[3] Bloomberg News. "China Draws Red Lines on U.S. Chip Tracking With Nvidia Meeting." *Bloomberg*, 6 Aug. 2025, https://www.bloomberg.com/news/articles/2025-08-06/china-draws-red-lines-on-us-chip-tracking-with-nvidia-meeting
[4] Reuters. "Trump Administration Renegotiating Overly Generous Biden-Era Chips Act Grants, Lutnick Says." *Reuters*, 5 June 2025, https://www.reuters.com/world/us/trump-administration-renegotiating-overly-generous-biden-chips-act-grants-2025-06-04/.

In practice, the framework could include a *compute aggregation trigger* aimed at keeping China's aggregate compute to no more than 10% of the United States' aggregate. This would be the sum of both China's indigenous chip production and chips sold into China. In addition to individual chip licensing policy, BIS could approve or deny licenses based on the how those chips will add to China's aggregate compute.

Meanwhile, we can further bolster dependency on U.S. technology by aligning remote access to AI chips at U.S. cloud companies to the same technology threshold as chip sales – a current loophole in export controls. Allowing controlled remote access to compute via cloud to Chinese users still achieves the benefit of locking Chinese customers into the U.S. technology stack. At the same time, cloud providers can conduct robust know-your-customer (KYC) due diligence, maintain job-level logging, and restrict access to military end-users as well as any Chinese users attempting frontier AI training runs. This approach would also benefit the U.S. chip industry through sales to hyperscalers.

Finally, **U.S. firms should have priority access to AI hardware over Chinese firms**. As AI becomes more integrated into our everyday business and personal lives, the demand for chips will only increase. China has shown that it is willing to pay far above market value for strategic technologies. The U.S. must ensure that the CCP cannot extend its unfair market practices to the AI sector.

In summary, the RTT approach for both physical and remote access paired with aggregate compute controls would allow the U.S. to balance the objectives of keeping China dependent on U.S. hardware while also limiting China's advanced AI ecosystem. *Semiconductor manufacturing equipment export controls by the United States and its allies have prevented Chinese firms from developing the capability to make cutting-edge semiconductors at scale.* As these controls continue to stymie China, the U.S. semiconductor advantage will expand.

However, if we persist in using U.S. technology levels as the bar, we will enable Chinese AI to develop at a far greater speed. This proposed approach will allow U.S. AI hardware companies to dominate the Chinese market, both via direct chip sales and via cloud access. It will also provide clarity to the commercial sector for future sales and the national security community regarding the objectives of U.S. export control policy.

I appreciate your commitment to protecting U.S. advantages while giving our companies the support and predictability they need to lead. I stand ready to work with BIS to further develop this strategy, including the metric definitions and compliance templates that will make this approach both enforceable and durable.

Sincerely,

John Moolenaar
Chairman