

# US Issues Huawei Chips Warning, Signaling New AI Diffusion Rule

The Department of Commerce warns entities against using Huawei chips that were developed in violation of U.S. export controls.

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Huawei Atlas 800 inference server is displayed at InnoEX Fair, in Hong Kong, China, on April 15, 2025. Tyrone Siu/File Photo/Reuters



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**A** **A** Print

The U.S. Department of Commerce's Bureau of Industry and Security (BIS) on May 13 warned entities against using Huawei chips that were

developed in violation of U.S. export controls, while announcing that new AI chip trade rules are to come.

In January, the outgoing Biden administration finalized an AI Diffusion [rule](#) governing how American AI technology is to be distributed around the world. It was meant to go into effect May 15.

The BIS on May 13 rescinded the rule, stating it would have burdened American companies with regulations and “undermined” diplomatic relations with trade partners, and that it would issue a replacement rule at a later date.

Under Secretary of Commerce for Industry and Security Jeffery Kessler has instructed BIS enforcement officials to get rid of the AI Diffusion rule, stating that the current administration is writing “a bold, inclusive strategy to American AI technology with trusted foreign countries around the world, while keeping the technology out of the hands of our adversaries.”

## Huawei and Warnings

The United States [suspects](#) that China-based Huawei’s latest processors were developed using illegally obtained U.S. technology. This includes, but is not limited to, Huawei’s multi-chip AI processing units Ascend 910B and 910D, and its graphics processing unit 910C.

The May 13 [guidelines issued](#) against using Huawei and other China-linked chips are not a new rule, but are warnings related to existing rules, as the Trump administration prepares to issue its new [AI](#) and [semiconductor](#) export controls.

The United States has been setting export controls on Huawei and AI technology to China over the last two administrations, determining that Huawei has ties to the Chinese Communist Party’s (CCP) military, which is using the technology for weapons and autonomous systems development, as well as other advancements.

For years, regulators have warned that sanctioned China-based entities have been finding workarounds like third-party intermediary companies and “transshipment and diversion” to obfuscate a sanctioned end user to obtain American technology that is off-limits to CCP military affiliates.

Exports and [transfers](#) of the regulated AI technology require a license from BIS. On May 13, it cautioned American companies against exporting or transferring such technology to “red flag” customers, such as those whose headquarters are unclear or have significantly

increased orders of advanced computing integrated circuits after export rules were added in October 2022.

Chinese state media reported that Huawei founder Ren Zhengfei told Chinese regime leader Xi Jinping during a closed-door meeting that concerns about U.S. export controls on chips have eased.

The Chinese regime has instructed the Chinese tech sector to reach self-sufficiency when it comes to advanced semiconductor technology, and Ren said Huawei's plan to unite 2,000 Chinese companies will help bring them to 70 percent [self-sufficiency](#) by 2028.

## AI Race

The United States and communist China's relationship when it comes to the chips market is complex, as both are major buyers and sellers of chips to each other.

U.S. export controls on semiconductors have thus far largely targeted China's access to the most advanced chips on the market, with the expectation that this would prevent advanced AI development by the CCP's military. When these rules were issued, semiconductor companies focused on selling larger-sized models to China, with some like Nvidia developing chips [especially](#) for the Chinese market.

In April, the Trump administration announced new restrictions on Nvidia's H20 AI chip, the most advanced chip it currently sells to China, from which Nvidia estimates a loss of \$5.5 billion in revenue. ByteDance and Tencent are among the China-based companies that were buying up H20 chips as China made AI advancements.

Nvidia CEO Jensen Huang [told](#) reporters during a Washington trip April 30 that Huawei has made "enormous progress" in AI in recent years. "China is right behind us. We're very, very close."

He also said that "the world has changed significantly" since the previous administration's AI Diffusion rule was released in January and that updated rules are needed "to accelerate the diffusion of American AI technology around the world."

The White House [announced](#) on May 13 that President Donald Trump secured a \$600 billion deal in Saudi Arabia during his visit, which included major contracts between American and Middle Eastern tech and AI companies.

American chips companies Nvidia, Advanced Micro Devices, and Qualcomm [announced](#) deals with Saudi Arabia's Humain to build out AI infrastructure, and tech giants Google, Oracle, and others

committed to investing \$80 billion in cutting-edge technologies. DataVolt, a Saudi Arabian company, will invest \$20 billion in AI data centers and energy infrastructure in the United States.

*Reuters contributed to this report.*

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