

House Committee Chair Warns New Chips Rules Leave Loopholes for China to Exploit

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People look at newly launched smartphones at a Huawei flagship store after the company unveiled new products, in Beijing on Sept. 25, 2023. Kevin Frayer/Getty Images



By Catherine Yang

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Rep. John Moolenaar (R-Mich.), chair of the House Select Committee on the Chinese Communist Party, has warned that the latest U.S. restrictions on advanced chip technology against China leave loopholes that state-run companies could exploit.

The U.S. Department of Commerce’s Bureau of Industry and Security (BIS) on Dec. 2 imposed restrictions on 24 types of semiconductor manufacturing equipment, three types of software, and high-bandwidth memory chips and added 140 new entities to an export

control list. The new restrictions, built on Washington’s 2022 controls on exporting advanced chip technology to China, are based on the knowledge that the Chinese regime, as a foreign adversary, presents a national security threat.

In a Dec. 4 [letter](#) to Commerce Secretary Gina Raimondo, Moolenaar said the new restrictions were a positive development but left key loopholes.

The primary issue he highlighted was the individual approach taken by the United States regarding sanctions. The updated rules include creating a new entity list—one of semiconductor manufacturing factories, known as fabs—and Moolenaar said this move is ineffective because Chinese state-backed companies already knew how to evade the restrictions.

The United States currently takes an “entity-by-entity” approach, prohibiting the sale of products to specific individuals or companies put on a list.

Moolenaar noted that new Huawei-linked companies were added to the list but that others were not.

“SwaySure Technology and Shenzhen Pengxinxu Technology got special carve outs to continue to access certain types of U.S.

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technology,” the letter reads. “Meanwhile, BIS has taken no action against ChangXin Memory Technologies (CXMT) which is poised to become a leader in the very same HBM technology BIS just export controlled.”

Chinese companies also use workarounds in the form of [middlemen](#) shell companies, which results in the United States adding more and more entities to the list after the fact.

Moolenaar wrote that the U.S. government has already examined evidence that China’s state-backed Semiconductor Manufacturing International Corporation (SMIC) engages in this type of sanctions evasion. Chinese companies will build new factories, often referred to as “bridges or tunnels,” to legally obtain the technology the sanctioned end-user parent company cannot buy directly.

“We have long known this is a problem,” he wrote. “There is no national security justification for these loopholes.”

Companies have in the past objected to broad restrictions during the rule proposal stage, arguing that specificity is necessary to prevent companies from unknowingly violating regulations, especially given the vast supply chain for the semiconductor industry.

The Commerce Department did not respond to an inquiry from The Epoch Times by publication time.

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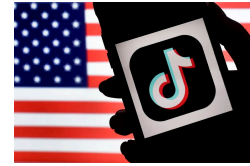
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