

U.S. AI Chip Policy: A Post-Recission Forecast

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Client Updates

The global trade of advanced Artificial Intelligence (AI) chips is currently undergoing significant transformation due to evolving U.S. export control policies and the corresponding responses from international partners. On May 13, 2025, the Trump administration announced the recission of the Biden-era AI Diffusion Rule, signaling a pivot towards a more targeted approach to controlling AI chip exports. This shift aims to prevent the diversion of cutting-edge semiconductors to adversaries like China through precise, rather than broad, restrictions.

The evolving U.S. strategy has recently focused on heightened scrutiny of countries with surging chip shipments and significant data center infrastructure investments, particularly Malaysia and Thailand. In fact, reports indicate that the administration is actively drafting new controls to limit advanced AI chip exports to both nations, specifically to prevent diversion to China. This new approach appears geared toward establishing a compliance corridor, particularly in the Indo-Pacific, by incentivizing U.S. tech investments only in countries demonstrating strong regulatory alignment.

Proactive Measures from Key Partners

In response to these measures and broader geopolitical considerations, key players in the global AI supply chain are proactively strengthening their own export control frameworks.

Effective July 14, 2025, Malaysia's Ministry of Investment, Trade, and Industry mandated a Strategic Trade Permit for all exports, transshipments, and transits of high-performance U.S.-origin AI chips. Enacted under the "Catch-All Control" provision of Malaysia's Strategic Trade Act 2010, this decisive action aims to close regulatory gaps, prevent illicit trade, and mitigate the risk of Malaysia being perceived as a transshipment hub by enhancing supply chain transparency and oversight.

In addition, India's Directorate General of Foreign Trade recently mandated robust export control compliance programs for dual-use items, including AI chips, through new guidelines. These programs, requiring senior leadership commitment, comprehensive training, and rigorous risk assessments for export licenses, underscore India's commitment to controlling critical AI technology exports.

The proactive stances from Malaysia and India—both significantly impacted by U.S. AI chip export restrictions due to their reliance on imports for advanced technologies and ambitious compute infrastructure objectives—demonstrate a broader trend: nations fortifying their regulatory environments to enhance credibility as reliable international AI partners.

Anticipated Trajectory of U.S. Export Controls

The U.S. Department of Commerce is expected to imminently formalize the rescission of the Biden-era AI Diffusion Rule and issue a replacement. While details are pending, the new rule is expected to focus on more narrowly defined categories of AI chips and end-users, reducing compliance burdens on legitimate commercial transactions while still effectively targeting high-risk diversions. The current trajectory suggests a more targeted, strategically focused enforcement posture, emphasizing collaborative efforts with allies and restricting technology access to perceived threats.

Implications for Digital Infrastructure Companies

The evolving U.S. AI chip policy and international partners' regulatory responses create a complex landscape for digital infrastructure companies. Foremost, adapting compliance frameworks to U.S. requirements is paramount, demanding diligent end-use and end-user screening, accurate technology classification, and robust internal compliance programs. Companies should also consider refining supply chain strategies—potentially diversifying manufacturing and sourcing—to navigate distinct partner country requirements, mitigate restrictions, and ensure continuous access to critical components. Overall, rigorous adherence to dynamic U.S. export controls and related AI technology compliance standards will be essential to maintaining operational resilience and global trust.

Related Professionals



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