

How the Big Chip Makers Are Pushing Back on Biden's China Agenda

Nvidia, Intel and Qualcomm are campaigning to protect their businesses before further crackdowns on the sale of semiconductor technology to Beijing.

By Tripp Mickle, David McCabe and Ana Swanson

Tripp Mickle, David McCabe and Ana Swanson have written extensively about technology, international trade and policy.

Oct. 5, 2023 Updated 1:54 p.m. ET

Sign up for Your Places: Global Update. All the latest news for any part of the world you select. [Get it sent to your inbox.](#)

A year after the Biden administration took its first major step toward restricting the sale of semiconductors to China, it has begun drafting additional limits aimed at denying Beijing the technology critical to modern-day weapons.

But in recent months, its progress has been slowed as American chip companies have pushed back with a blunt warning: Cutting sales to China would gut their businesses and derail the administration's plan to build new semiconductor factories in the United States.

Since July, Nvidia, Intel and Qualcomm, three of the world's largest chip makers, have pressed their case that cracking down on China would have unintended consequences. They have challenged the White House's national security wisdom in meetings with officials like Secretary of State Antony J. Blinken and Commerce Secretary Gina M. Raimondo, wooed think tanks and urged leaders across Washington to reconsider additional chip controls, according to interviews with two dozen officials across the government, industry and policy organizations.

The companies have warned that a U.S. pullback could accelerate China's development of an independent chip industry, paving the way to a world dominated by Chinese-created chips rather than American-designed chips.

"What you risk is spurring the development of an ecosystem that's led by competitors," said Tim Teter, Nvidia's general counsel, who has helped lead the lobbying campaign. "And that can have a very negative effect on the U.S. leadership in semiconductors, advanced technology and A.I."

The campaign has contributed to the delay of new restrictions and narrowed the list of changes that the administration may make, two people familiar with the process said. But spokespeople for the Commerce Department and the National Security Council, which lead the rule-making process, said the agencies were committed to protecting sensitive technology.

"The timing and scope of export control decisions are carefully designed to have the maximum impact," said Sarah Weinstein, a spokeswoman for the Commerce Department.

The push by the big chip companies has rankled some national security experts, lawmakers and semiconductor rivals. Many favor confronting Beijing and find it distasteful that the companies have questioned the White House shortly after the government committed \$50 billion to the industry through the CHIPS and Science Act. The 2022 measure provides money to bolster American chip manufacturing and counter China.

Representative Mike Gallagher of Wisconsin, the Republican chairman of a select committee on U.S.-Chinese competition, has discussed holding a hearing with the chip companies to question their compliance with export controls, two people familiar with the conversations said.

A spokesman for Mr. Gallagher's office did not respond to requests for comment.

The warnings from the companies speak to the tension between national security concerns and commercial interests and highlight an unavoidable quandary for the Biden administration: The economic interdependence of the United States and China, which has roots stretching back decades, means that any action by Washington to confront Beijing risks causing harm at home.

China accounts for about a third of the global semiconductor market and more than \$50 billion in combined annual revenue for Nvidia, Intel and Qualcomm. The companies have cautioned that losing that revenue could force cuts in technology development, jobs and spending on semiconductor factories in Arizona, Ohio and New York.



Jensen Huang, the chief executive of Nvidia, has overseen huge growth at his company thanks to investments in artificial intelligence. Philip Cheung for The New York Times

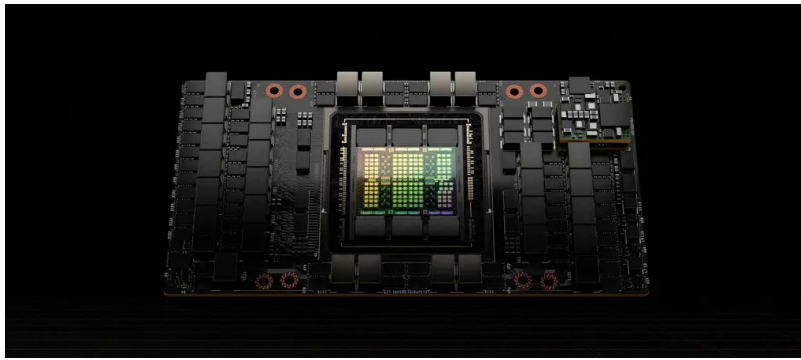
Last year, the industry tacitly accepted the restrictions that the administration issued on Oct. 7, shortly after President Biden signed the CHIPS Act. Companies adjusted their businesses. Nvidia developed a version of its signature artificial intelligence chip, the H100, for China by reducing its performance power below the maximum levels that the rules allowed.

But losses associated with the restrictions mounted. China banned the sale of some products from Micron Technology, an American memory chip company. National security experts in Washington identified shortcomings with the limits. And administration officials started questioning whether Nvidia's chip for China contravened the spirit of the rules.

In July, industry executives were alarmed by talk that the administration was close to expanding its limits by banning Nvidia's sales of the A.I. chip it developed for Chinese use, among other changes. They worried that the administration could also target Nvidia's and Intel's sales to subsidiaries of Inspur Group, a Chinese conglomerate with military ties, and Qualcomm's sale of 4G mobile chips to the Chinese telecom giant Huawei, which it had a special permit to supply, two industry executives said.

That month, three chief executives — Patrick Gelsinger of Intel, Jensen Huang of Nvidia and Cristiano Amon of Qualcomm — traveled to Washington to meet with the administration.

During meetings with Mr. Blinken, Ms. Raimondo and Jake Sullivan, Mr. Biden's national security adviser, the chief executives outlined the costs of losing access to China and warned that it could force spending cuts in the United States, Mr. Gelsinger said when recounting the meeting at a security conference in Aspen, Colo.



Nvidia tweaked one of its chips to abide by export restrictions to China. Nvidia, via Reuters

In conversations with White House officials, Intel officials also questioned whether National Security Council aides understood semiconductor technology, two sources familiar with the companies' activities said.

An Intel spokesman said that it was "absolutely untrue" that the company had questioned security officials.

The companies also pressed their trade group, the Semiconductor Industry Association, to issue a statement criticizing the government's restrictions as "broad, ambiguous and at times unilateral." It warned that further limits would harm "the industry's competitiveness."

When the statement was drafted, no members of the association spoke out against it, according to three people familiar with the process, but several members later said it had made them uneasy because of the Biden administration's support of the CHIPS Act.

The Semiconductor Industry Association declined to comment.

The companies broadened their campaign to target think tank researchers, as well. This summer, Mr. Huang met with the leaders of organizations including the security-focused Center for Strategic and International Studies and the Atlantic Council.

Nvidia's interest in think tanks raised some alarm, with word spreading across Washington that the company had questioned the research of Gregory C. Allen, the director of a center for advanced studies at C.S.I.S. who supports export restrictions, four of these people said.



Qualcomm helped develop China's wireless networks and smartphones. Sales to China account for more than half of its annual revenue. Wang Zhao/Agence France-Presse — Getty Images

Amid discussions between Nvidia and members of C.S.I.S.'s fund-raising staff, several people in policy circles, including Jason Matheny, the president of the RAND Corporation, called the center to voice concerns that Nvidia was trying to use its influence to sideline Mr. Allen, two people familiar with the calls said.

John Hamre, C.S.I.S.'s chief executive, assured Mr. Matheny and others that companies couldn't influence personnel decisions. In an email to The New York Times, Mr. Allen said, "He told me that he was proud of my contributions to C.S.I.S. — he had just promoted me only a few months earlier — and had absolutely no intention to fire me now or in the future."

Eventually, Nvidia donated \$65,000 to C.S.I.S., which amounted to less than 1 percent of annual donations, according to the think tank. It said Nvidia had not behaved "improperly."

Mr. Teter, Nvidia's general counsel, said the company had never taken issue with Mr. Allen's work. "We're confident he's presenting the best research he can, and we completely respect that," he said.

In addition to meeting with the White House, the chief executives met with Eric Schmidt, the former chief executive and chairman of Google.

Since stepping aside as executive chairman of Google in 2018, Mr. Schmidt has emerged as a power player in Washington, serving on two Defense Department advisory boards and funding his own think tank, the Special Competitive Studies Project. He also has supported limiting China's access to American-designed semiconductors.

In mid-July, Mr. Gelsinger, Mr. Amon and Mr. Huang talked to Mr. Schmidt about the pitfalls of chip limits, two people briefed on the conversation said. Representatives for Mr. Schmidt declined to comment.

Last month, Mr. Schmidt's think tank invited Mr. Gelsinger and Mr. Huang to give fireside chats at an annual conference in Washington on national security and technology. Neither executive fielded questions about semiconductor restrictions and China.

A correction was made on Oct. 5, 2023: An earlier version of this article incorrectly quoted Tim Teter, Nvidia's general counsel. Mr. Teter said limits on chip sales could spur the development of competitors, not predators.

When we learn of a mistake, we acknowledge it with a correction. If you spot an error, please let us know at nytnews@nytimes.com. [Learn more](#)

Tripp Mickle reports on Apple and Silicon Valley for The Times and is based in San Francisco. His focus on Apple includes product launches, manufacturing issues and political challenges. He also writes about trends across the tech industry, including layoffs, generative A.I. and robot taxis. [More about Tripp Mickle](#)

David McCabe covers tech policy. He joined The Times from Axios in 2019. [More about David McCabe](#)

Ana Swanson is based in the Washington bureau and covers trade and international economics for The Times. She previously worked at The Washington Post, where she wrote about trade, the Federal Reserve and the economy. [More about Ana Swanson](#)