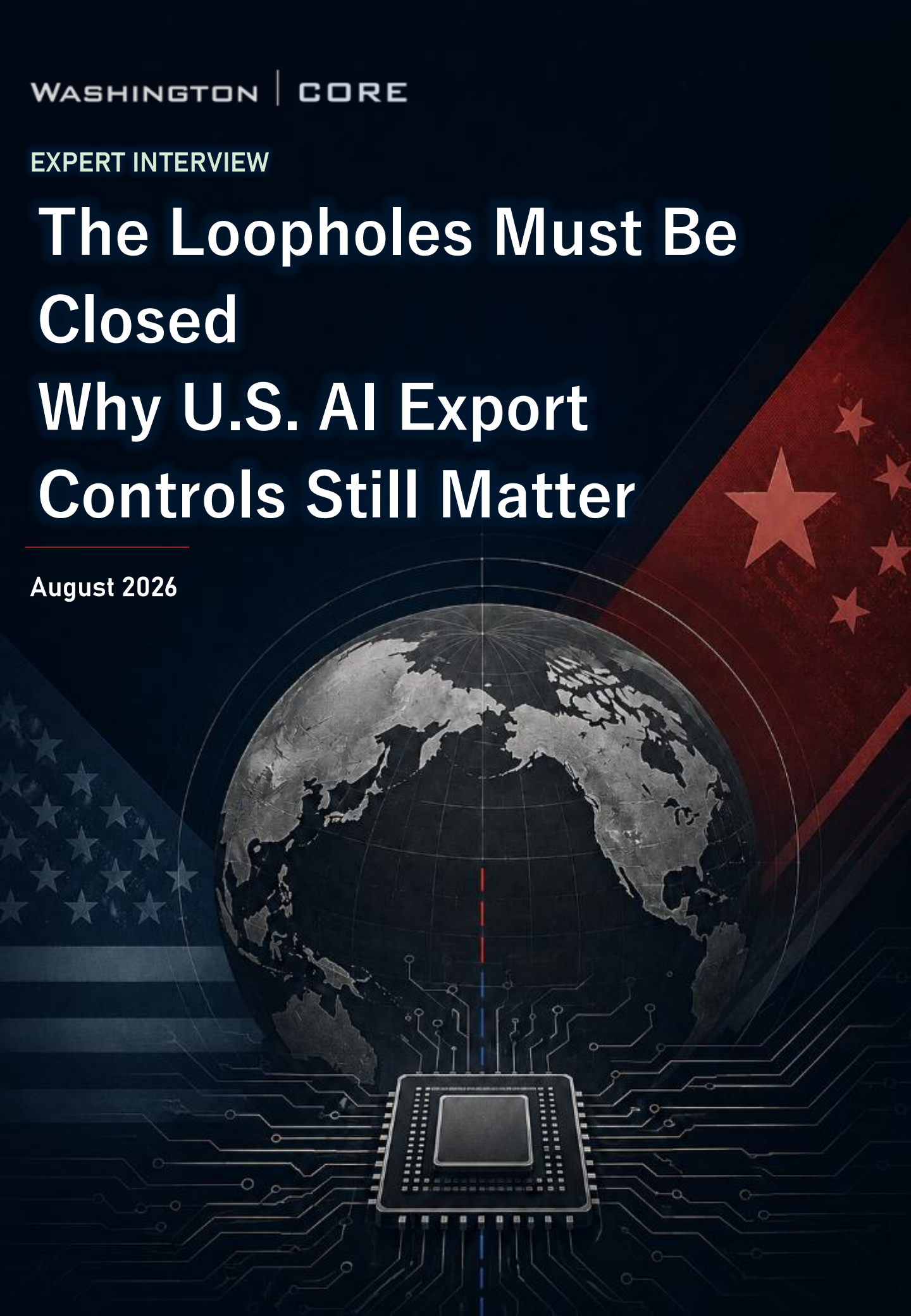
WASHINGTON | CORE

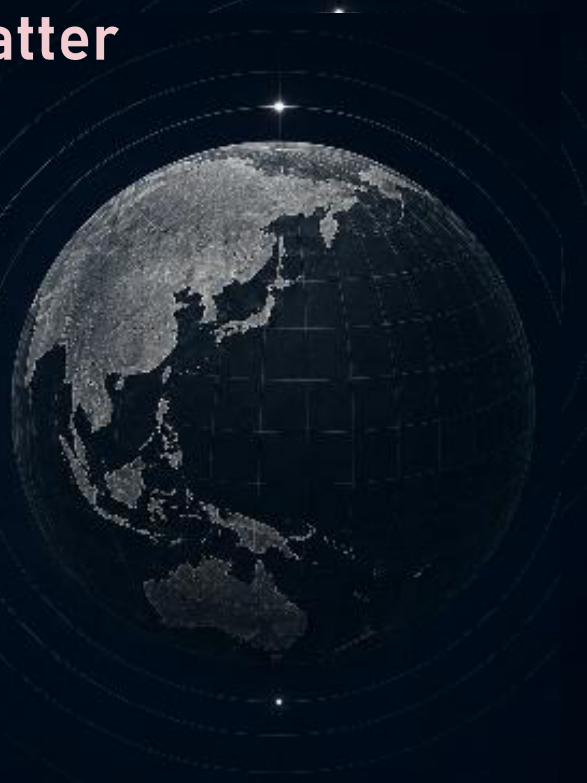
EXPERT INTERVIEW

The Loopholes Must Be Closed
Why U.S. AI Export Controls Still Matter

August 2026



Why Export Controls Still Matter



The emergence of increasingly capable Chinese artificial intelligence models has intensified debate over whether U.S. restrictions on advanced semiconductors are achieving their intended purpose. China's Moonshot AI recently released "Kimi K3," which has drawn attention for performance reportedly approaching that of leading U.S. models despite restrictions intended to limit China's access to advanced AI chips.

Critics argue that China's continued progress demonstrates the failure of U.S. export controls. Dmitri Alperovitch, Co-Founder and Chairman of the Silverado Policy Accelerator, disagrees. Loopholes have prevented the controls from slowing China as much as policymakers had hoped, but he believes they have still delayed Chinese progress and remain one of the most effective tools available to the United States.

Washington CORE spoke with Alperovitch about the national-security rationale for AI export controls, the remote-access loophole, and the measures needed for the United States to maintain its technological lead.

AI Leadership as a National and Economic Security Priority

The principal objective of U.S. export controls is to preserve the country's leadership in frontier AI while slowing China's progress. According to Alperovitch, advances in Chinese AI cannot be viewed solely as commercial or technological developments because they could strengthen the People's Liberation Army and potentially be used against the United States and its allies.

Economic and national-security risks are closely connected. If subsidized Chinese companies offer advanced AI models at little or no cost, including through open-weight releases, commercially operated U.S. companies may struggle to compete.

China is already a global leader in telecommunications and rare earth industries. Chinese advances in AI could leave the United States without a sustainable domestic AI industry as Chinese models are increasingly used for military and strategic purposes.

Advanced Computing Power Is the Critical Constraint

Given these risks, the central policy question is which inputs to AI development the United States can effectively restrict. Talent, financing, data, and computing resources all contribute to AI progress, but Alperovitch argues that advanced computing power, not talent or capital, is the most critical factor governments can realistically constrain.

Highly skilled researchers can be found in China, the United States, Japan, and elsewhere. Capital is also flowing into AI companies, while advanced models are commonly trained using publicly available information. The hardest requirement is aggregating large numbers of graphics processing units capable of performing the calculations needed to train and operate AI models.

For that reason, U.S. controls have increasingly focused on limiting China's access to advanced computing. Earlier measures restricted sophisticated semiconductor-manufacturing equipment, including extreme-ultraviolet lithography systems, before expanding to other equipment and advanced chips.

The United States has substantial leverage because most leading AI chips are designed by U.S. companies such as NVIDIA, Google, and AMD. Although many are manufactured by Taiwan Semiconductor Manufacturing Company in Taiwan or Arizona, the U.S. government can still influence where they are exported and under what conditions.

The Remote-Access Loophole

Restricting physical chip exports, however, does not necessarily prevent Chinese companies from using them. Although China cannot directly import many of the most advanced U.S.-designed AI chips, Chinese firms may still access the same computing power remotely through data centers in other countries.

For example, a data center in Malaysia equipped with NVIDIA's Blackwell GPUs could provide computing services to a Chinese company without physically transferring the chips into China. For AI training, the physical location of the semiconductor is largely irrelevant.

This creates a major weakness in the current export-control system. Existing rules focus heavily on where chips are shipped, even though cloud services allow their computing power to be accessed across borders.

Alperovitch described the framework as resembling "Swiss cheese," with gaps that have been addressed too slowly. Closing them will require stronger enforcement, greater penalties, and legislation covering access through cloud services, intermediaries, subsidiaries, and shell companies.

One proposed solution is the Remote Access Security Act, which passed the U.S. House of Representatives in January 2026 and, as of early August, remained in committee in the Senate. The legislation would treat Chinese access to cloud services powered by advanced U.S. semiconductors as a form of export. Companies purchasing the chips could be required to certify that they will not provide the resulting computing power to prohibited Chinese entities, with violators facing penalties or losing access to future chip purchases.

Kimi K3 Does Not Mean the Controls Have Failed

Loopholes help explain how Chinese companies have progressed despite the controls. Moonshot AI's development of Kimi K3 has been cited as evidence that the restrictions are ineffective, but Alperovitch believes there is good reason to assume the model was trained using computing resources powered by U.S.-designed chips, including chips accessed remotely or obtained through other channels.

China's ability to produce an increasingly capable model therefore illustrates the consequences of gaps in the controls rather than the irrelevance of advanced U.S. technology.

Even with that access, Kimi K3 does not appear to have surpassed the most advanced U.S. frontier models. Chinese developers remain several months behind leading American companies. That delay is modest, but it represents a small measure of success.

The realistic objective is not to prevent every instance of Chinese AI development but to make advanced computing scarcer, more expensive, and more difficult to obtain. China already possesses advanced chips, while smuggling and remote access will continue to provide some additional capacity.

Scarcity can force Chinese companies to choose whether limited computing resources should be used to train new models or operate existing ones. Kimi K3 reportedly had to temporarily suspend service after demand exceeded its available capacity, illustrating how shortages can affect both development and deployment.

Restrictions Will Not Create a Chinese Self-Sufficiency Drive

Critics argue that restricting U.S. technology could accelerate China's development of its own semiconductor industry. Alperovitch considers this historically inaccurate because China's pursuit of technological self-sufficiency began long before the current controls.

Since coming to power in 2012, Xi Jinping has repeatedly emphasized reducing China's dependence on U.S. technology. Initiatives such as "Made in China 2025" reflected that ambition years before advanced AI semiconductors became a central focus of U.S. policy.

Continuing to sell advanced chips to China would therefore be unlikely to persuade Beijing to abandon its domestic semiconductor plans. China is expected to pursue technological independence regardless of U.S. actions.

That does not mean China has overcome its manufacturing constraints. Investigative reporting has suggested that some Huawei 7-nanometer chips were manufactured by TSMC through orders placed by an intermediary or front company.

Chinese companies may be capable of designing increasingly competitive chips but producing them at scale using advanced manufacturing processes remains more difficult. Restricting access to both advanced chips and manufacturing equipment can therefore continue to slow China's progress, even if it cannot halt it entirely.

National Security Must Take Priority

The debate also reflects tension between national-security policy and corporate interests. Some semiconductor companies, including NVIDIA, have sought to preserve access to the Chinese market. Alperovitch acknowledged that companies naturally want more customers but argued that those interests should not override national security.

Demand for advanced AI chips already exceeds supply, and leading U.S. developers are struggling to obtain all the computing capacity they require. Restricting sales to China would not necessarily deprive chipmakers of customers.

Alperovitch compared the situation to the Cold War space race. The United States did not sell rockets to the Soviet Union simply because American companies wanted additional revenue, as doing so could have helped a strategic adversary reach the Moon first. In his view, the same logic applies to advanced AI chips.

Closing the Loopholes While Accelerating at Home

Putting that principle into practice will require more than restrictions on direct exports. Preventing the use of shell companies will require cloud providers and data-center operators to identify who is ultimately accessing advanced computing resources.

Banks already require passports, official records, and beneficial-ownership information to prevent customers from concealing their identities. Alperovitch argued that comparable know-your-customer requirements could be introduced before access to large amounts of advanced computing is granted.

International coordination will also be essential. The United States, the Netherlands, and Japan play particularly important roles in producing sophisticated semiconductor-manufacturing equipment. Aligning export controls and sharing enforcement information could make it more difficult for China to obtain restricted equipment and computing resources.

Yet slowing China is only one side of the equation. The United States must also accelerate its own AI development by retaining leading researchers and engineers and easing barriers to additional data centers, electricity generation, and semiconductor factories.

Winning the AI race, Alperovitch concluded, requires both running faster and slowing the competitor. Export controls have delayed China's progress, but their long-term effectiveness depends on closing remote-access loopholes while strengthening U.S. capacity to innovate.

Dmitri Alperovitch

Co-Founder and Chairman, Silverado Policy Accelerator

Dmitri Alperovitch is Co-Founder and Chairman of the Silverado Policy Accelerator. He previously co-founded cybersecurity firm CrowdStrike and served as its Chief Technology Officer (CTO). He has also served as a special advisor to the U.S. Department of Defense and as a member of the Department of Homeland Security (DHS) Advisory Council and the Cyber Safety Review Board at the Cybersecurity and Infrastructure Security Agency (CISA). He is the author of the national bestseller World on the Brink: How America Can Beat China in the Race for the 21st Century.