



[U.S. Slows Down the Export of AI Chips to the Middle East Over National Security Concerns](#)

The Biden administration recently imposed an embargo on artificial intelligence (AI) chip exports, coupled with a decrease in the issuing of licenses to companies for AI accelerator shipments to the Middle East. To ship advanced AI technology to China, Macau, Saudi Arabia, and the United Arab Emirates (UAE), companies must now acquire a special government export license. These applications submitted by companies such as Nvidia, AMD, and Intel Corporation have either been delayed or ignored by U.S. officials in the past several weeks. This decision follows a separate array of measures taken against China back in 2023. The U.S. government has faced growing concerns of Chinese entities gaining access to advanced AI chips through Middle Eastern data centers, and has made a forceful effort to isolate China from advanced semiconductors and manufacturing equipment due to fear that China will enhance its military power with such technology.

The United States is administering a national security review of AI progression in the Middle East. The inquiry is focused on the large volume sales in certain nations, particularly Saudi Arabia and the UAE. These countries aim to import these high volumes of AI accelerators to their data centers, as they allow them to better process surges of information critical to the development of AI tools. The accelerators have become essential tools for businesses and governments attempting to progress their AI infrastructure. The recent U.S. embargo is aimed at giving the United States time to create comprehensive policy around how AI chips will be exported to the region. It is unknown how long the embargo and export license restrictions will last, but they are being promoted as a component of a larger plan to try to protect and advance the U.S. advantage over China and other worldwide leaders in technology.

One of the proposed theories is that the investing in AI by Middle Eastern nations is an attempt to expand and diversify their economies. Saudi Arabia and the UAE have been at the forefront of this effort to do so and emerge as power players in the AI industry. Both have conveyed that they see the U.S. as an essential partner in their quest for economic expansion. For many analysts, these efforts align with the United States' desire for countries like Saudi Arabia and the UAE to divert from Chinese supply chains and diminish their activity with Chinese technology. This alignment is highlighted by Saudi Arabia and the UAE partnering with companies such as Microsoft, Cerebras, Nvidia, and other U.S.-based companies. G42, an Abu Dhabi-based AI firm, received a \$1.5 billion investment from Microsoft, underscoring the international cooperation between the U.S. and the Middle East. The predicament that the U.S. faces is that the Chinese-based company Lenovo Group Ltd. has also partnered with Saudi Arabia, leading to an R&D center being established in Riyadh. This collaboration between Saudi Arabia and Lenovo has heightened U.S. national security concerns regarding China potentially obtaining AI technology through the Middle East.

The recent restrictions on exporting have had substantial implications on the global tech industry. Companies such as AMD, Nvidia, and other U.S. developers that make sizable shipments to the Middle East have seen revenue loss and dips in stock prices. The day following the announcement of export license reviews, Nvidia's stock ended down 3.8%. Other notable implications are that exchange-traded funds (ETFs) including iShares Semiconductor ETF (SOXX) and VanEck Semiconductor ETF have seen dramatic declines. These ETFs are responsible for recording the

performance of semiconductor manufacturers, and the disruptions question the stability of the AI industry and the reliance of its revenue flow.

Another main takeaway is the United States' pursuit to bolster domestic chip production. Back in May, the Biden administration introduced \$285 million in funding for a semiconductor institute. This spike in funding follows a deal that the Biden administration made with Silicon Valley's Intel in March. The Biden administration agreed to \$8.5 billion in grants and potentially \$11 billion in loans to the company, which has in turn promised \$100 billion in AI investment. Ultimately, these investments by the United States in AI production are aimed at strengthening national security, reducing dependence on Asia, bolstering supply chain resilience, and increasing economic competitiveness.