

United States Senate

October 30, 2025

The Honorable Howard Lutnick
Secretary
Department of Commerce
1401 Constitution Avenue, NW
Washington, D.C. 20230

Dear Secretary Lutnick,

I write requesting the Commerce Department to address smuggling of export-controlled U.S. chips through Malaysia, a high-risk transshipment point for illegal chip diversion. Chip diversion undermines American AI leadership and propels the growth of China's domestic AI industry.

To their credit, Malaysian officials have begun cracking down on illicit diversion of chips and strengthening their own controls to ensure continued access to advanced U.S. chips, but proactive leadership from the United States is welcome.¹ The Commerce Department has an opportunity to provide Malaysia with the support and resources it needs to achieve this goal. Curbing chip smuggling in Malaysia will increase U.S. business opportunities in Southeast Asia, which is crucial as Malaysia seeks to become a regional datacenter powerhouse, hopefully running on American technology.

For example, the U.S. government could provide guidance, recommended best practices, and information sharing, where appropriate, to help Malaysian officials build a robust foreign direct investment (FDI) and beneficial ownership information (BOI) screening program. Such screening will allow the Malaysian government to more accurately assess the numerous new datacenter entities in the country for Chinese Communist involvement.

The U.S. government should also consider working with all willing industry partners to implement software and firmware-based anti-diversion techniques on advanced chips shipped to Malaysia. As is often the case, U.S. companies are at the forefront of developing creative and innovative technical solutions, which will help add layers of assurance against illegal diversion. To support the semiconductor industry in their efforts, it may be beneficial for U.S. and Malaysian officials to develop priority customs clearance procedures for shipments of advanced U.S. chips with anti-diversion mechanisms.

Malaysia provides an excellent opportunity to test novel anti-diversion strategies, giving the U.S. government and companies a chance to iron out implementation details. In fact, the Trump White House's AI Action Plan calls on the Department to "explore leveraging new and existing location verification features on advanced AI compute to ensure that the chips are not in countries of concern."²

While Congress works to codify President Trump's directives to help with U.S. export promotion and enforcement, I hope you take advantage of this chance to leverage American talent and technology.

¹<https://www.bloomberg.com/news/articles/2025-07-14/malaysia-to-require-permits-on-trade-of-high-end-us-ai-chips>

President Trump has acknowledged export controls as a critical tool of U.S. economic and technological statecraft.³ We have no time to waste.

Thank you for your attention to this matter.

Sincerely,

A handwritten signature in blue ink that reads "Tom Cotton". The signature is written in a cursive, flowing style.

Tom Cotton
United States Senator

³<https://truthsocial.com/@realDonaldTrump/posts/115351840469973590>