

**Congress of the United States**  
Washington, DC 20510

March 20, 2026

The Honorable Howard Lutnick  
Secretary of Commerce  
U.S. Department of Commerce  
1401 Constitution Ave NW  
Washington, DC 20230

Dear Secretary Lutnick:

We write to you alarmed about yet another case of large-scale chip smuggling. This underscores the need for stronger and more creative approaches to export enforcement.

Multiple investigations, reporting, and testimonies show that there is diversion of advanced chips.

- In one U.S. investigation dubbed “Operation Gatekeeper”, authorities disrupted a smuggling ring that was buying Nvidia chips through straw purchasers and stripping the manufacturer's labels before attempting to illegally ship them to China.<sup>1</sup>
- In another case, four men built a black-market network to route Nvidia chips through Malaysia and Thailand to eventually reach China. The ringleader was arrested days before he was set to become the chief technology officer of a cloud company.<sup>2</sup>
- Early last year, Singapore officials raided more than 20 locations suspected of diversion activity and charged three individuals who were falsifying paperwork to conceal that Nvidia chips, officially destined for Malaysia, were illegally heading to China.<sup>3</sup>
- Megaspeed, a Singapore-based spin-off of a Chinese government-owned cloud company, imported over \$4.6 billion worth of Nvidia hardware and is now under investigation for potential violations of U.S. export controls.<sup>4</sup>
- According to a U.S. official, DeepSeek’s latest model was trained on Nvidia Blackwell chips, likely clustered in a data center in an autonomous region of China.<sup>5</sup>
- Under Secretary of Commerce for Industry and Security Jeffrey Kessler said, “we catch significant smuggling and illicit exports, but we’re concerned it’s just the tip of the iceberg.”<sup>6</sup>
- Assistant Secretary for Export Enforcement David Peters recently testified, “yes, there is chip smuggling, it is going on...it is among our top enforcement priorities.”<sup>7</sup>

Most recently, the Department of Justice unsealed an indictment revealing Super Micro Computer employees, including a co-founder, have been charged with smuggling billions of dollars of Nvidia chips to China through an unnamed shell company.<sup>8</sup> The perpetrators even built “dummy” servers, removed labels and stickers from the original servers containing Nvidia chips using hair dryers, and reattached them to the dummy servers to fool auditors. Every instance of chip smuggling undermines U.S. export policy and erodes America’s advantage in the race for technological dominance.

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<sup>1</sup><https://www.justice.gov/opa/pr/us-authorities-shut-down-major-china-linked-ai-tech-smuggling-network>

<sup>2</sup><https://www.justice.gov/opa/pr/us-citizens-and-chinese-nationals-arrested-exporting-artificial-intelligence-technology>

<sup>3</sup><https://fortune.com/asia/2025/02/28/singapore-charges-fraud-nvidia-chip-smuggling/>

<sup>4</sup><https://www.bloomberg.com/news/features/2025-12-22/nvidia-partner-megaspeed-draws-china-chip-smuggling-concerns-in-us>

<sup>5</sup><https://www.reuters.com/world/china/chinas-deepseek-trained-ai-model-nvidias-best-chip-despite-us-ban-official-says-2026-02-24/>

<sup>6</sup><https://time.com/collections/time100-ai-2025/7305875/jeffrey-kessler/>

<sup>7</sup><https://foreignaffairs.house.gov/committee-activity/hearings/strengthening-export-control-enforcement>

<sup>8</sup><https://www.wsj.com/tech/super-micro-computer-employees-arrested-for-alleged-sales-to-china-45a2bd73>

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Export enforcement is a notoriously challenging problem, and the various concealment methods demonstrated in past cases show the need for more modern, creative solutions. Our Chip Security Act would require location verification to be implemented for export-controlled advanced chips. While no tool is foolproof, new anti-diversion methods would enable American companies to sell their products with greater peace of mind and open new markets.

The world's compute infrastructure must be built on American technology, requiring us to export chips at scale, while keeping smuggling efforts at bay. While we work to get the Chip Security Act passed into law, we respectfully request that you begin implementation of some of the provisions in the bill, including requiring technical anti-diversion solutions for advanced chips.

Sincerely,



Tom Cotton  
United States Senator



Bill Huizenga  
United States Representative