



Department of Commerce Closes Export Controls Loophole for Foreign-Owned Semiconductor Fabs in China

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WASHINGTON, D.C. — Today, the Department of Commerce’s Bureau of Industry and Security (BIS) closed a Biden-era loophole that allowed a handful of foreign companies to export semiconductor manufacturing equipment and technology to China license-free. Now these companies will need to obtain licenses to export their technology, putting them on par with their competitors.

The loophole is known as the Validated End-User (VEU) program. In 2023, the Biden Administration expanded the VEU program to allow a select group of foreign semiconductor manufacturers to export most U.S.-origin goods, software, and technology license-free to manufacture semiconductors in China. No U.S.-owned fab has this privilege — and now, following today’s decision, no foreign-owned fab will have it either.

Former VEU participants will have 120 days following publication of the rule in the Federal Register to apply for and obtain export licenses. Going forward, BIS intends to grant export license applications to allow former VEU participants to operate their existing fabs in China. However, BIS does not intend to grant licenses to expand capacity or upgrade technology at fabs in China.

Jeffrey Kessler, Under Secretary of Commerce for Industry and Security, stated:

“The Trump Administration is committed to closing export control loopholes — particularly those that put U.S. companies at a competitive disadvantage. Today’s decision is an important step towards fulfilling this commitment.”

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