US Chip Embargo Was Designed to "Make China Sleep"

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It is important to note how cleverly the US chip restrictions on China are thought out.

The strict US chip rules from 7 October 2022 have three objectives:

1. China is denied access to the most advanced technology.

2. US companies are able to profit from selling old technology to China and use the revenue for research and development.

3. The provision of old US technology to China reduces China's incentive for the development of Chinese alternatives.

See this.

The US plans to boil China slowly.

By point 1, China is boiled. China will be kept several generations of technology behind, and China's backwardness will increase as time passes. China will never be able to build the fast and enormous computer centers needed for AI.

By point 3, China is allowed some basic chips for "business as usual" so as to not feel panic.

China can continue having primitive chips for washing machines and hairdryers. As per point 2, China is even allowed some downgraded NVIDIA chips. In cooperation with the US government, NVIDIA did not export its top A100 chip, but instead created a downgraded "China version" of that chip called A800. Recently, NVIDIA replaced the A100 chip with the very much faster H100 chip. And tellingly, NVIDIA once again created a downgraded "China version" of the new H100 chip called H800. And here comes the catch.

The H100 for use in the USA is much faster than the A100. Therefore, H800 will be much *more* downgraded from the H100 than the A800 was from the A100. In other words, China is put further behind with every new chip-generation. The chip-to-chip data transfer rate of the "China version" H800 is only half of the US-version H100. There has also been talk about NVIDIA reducing the precision of calculations in its "China chips". With the downgraded A800 chip, China, gets a little better chip than the previous one, but in reality, China is put one more step further behind the US level of capability. China will still buy a lot of the handicapped A800 and H800 chips, because China is *so far* behind in chips that China is not capable of making better chips itself than even US made third-grade chips.

NVIDIA earns lots of money, on China, but China can only build computer centers which are too slow to compete in AI. Note also, that NVIDIA earns so hugely now, that their share value reached $ 1 trillion. Soon, we can expect the US government to tell NVIDIA, that they don't need to earn more on China at all – and forbid NVIDIA from even making downgraded "China versions" of their coming chip generations.

Killing China softly. China should feel as little pain as possible. This will make China react too slowly or not at all. China buys the bad "China chips", feels satisfied enough, and keeps sleeping. China should years ago have recognized what way the chip race was going and started a huge tech program to catch up in chips. But even after the latest stringent US embargo from October 2022, Beijing has still not reacted with a big emergency tech program in chips. The China frog just sleeps comfortably in the warm water of the US kettle as it heats up.

China sees the danger on Taiwan, but not the imminent danger of falling too far back in tech to ever catch up.

The US must be laughing at China day and night.

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