

China stopped buying chips. It started renting them.

On 30 September the Financial Times reported that Tencent has leased about 100,000 advanced AI chips from Oracle, roughly \$7bn over five years, in data centres across Southeast Asia. Neither company has confirmed it. If the report holds, the significance is not the money but the mechanism: the hardware never moves, so the export control that governs shipments never triggers. Washington spent three years closing the channels through which China bought chips, and the channel through which China rents them is still open.

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~100,000 CHIPS TENCENT REPORTEDLY LEASED FROM ORACLE · FT VIA REUTERS, 30 SEP 2026	\$7bn / 5yr REPORTED VALUE AND TERM, ~30% PAID UP FRONT · FT VIA REUTERS, 30 SEP 2026	6.7× SCALE-UP ON THE DEC 2025 JAPAN ARRANGEMENT (15,000 CHIPS) · FT, 21 DEC 2025
0% NVIDIA'S OWN STATED CHINA MARKET SHARE, DOWN FROM ~90% · HUANG, 30 APR 2026	369–22 HOUSE VOTE PASSING THE REMOTE ACCESS SECURITY ACT; SENATE HAS NOT ACTED · 12 JAN 2026	\$664bn ORACLE REMAINING PERFORMANCE OBLIGATIONS, UP \$209BN YOY · ORACLE, 10 SEP 2026

I. A \$7bn deal in which no chip changes hands

On 30 September 2026 the *Financial Times* reported that Tencent had agreed to lease roughly 100,000 advanced AI chips from Oracle — about \$7bn over five years, with close to 30% payable up front, in Oracle facilities across Southeast Asia. Reuters relayed the report and said it could not independently verify it. Neither company commented.

Read the structure rather than the number. Tencent is not buying chips and importing them. It is buying time on machines that stay where they are, in jurisdictions where Oracle may lawfully operate them, and reaching them over a network. The US export control regime — the Export Administration Regulations — governs the movement of controlled items across borders. Under this arrangement nothing controlled moves. An engineer in Shenzhen opens a session on a machine in Johor or Singapore, and the regulation that was built to stop the chip reaching China never has an export to attach itself to.

This is not a newly discovered trick. It is the same trick, operating at industrial scale for the first time, and it arrives precisely as the physical channel has been sealed. The Bureau of Industry and Security closed the offshore-subsidiary route for direct purchases on 31 May 2026. Four months later, the compute arrives anyway, by a different door.

II. The rule controls the shipment, not the session

The gap is not an oversight so much as an artefact of how export law was written. As the law firm Freshfields puts it, the EAR does not generally control remote access where that access does not involve the export of a controlled item. BIS has not treated the provision of cloud computing services as an export. A Chinese firm that cannot legally take delivery of a Blackwell GPU can legally rent one hour of its output, because the hour is a service and the GPU is the thing that stayed home.

Congress has a fix drafted. The Remote Access Security Act (H.R. 2683) would give BIS explicit authority to control remote access to items subject to the EAR. It passed the House on 12 January 2026 by 369 votes to 22, after

clearing committee unanimously. It has sat in the Senate since. A companion measure has bipartisan sponsorship and no floor vote.

The executive branch has been trying to move without it. Commerce has been drafting a rule to make it unlawful for Chinese AI firms to rent Nvidia compute time on servers in Thailand, Singapore and comparable locations, with the draft due to go to industry trade groups during September. The same reporting notes the obvious problem: export-control lawyers broadly doubt that Commerce has the statutory authority to do this without RASA. That is the live question this deal forces. Washington can announce a rule; whether it can defend one against an American cloud provider's lawyers is a different matter, and the answer currently sits with the Senate calendar.

The workload crosses the network. The machine does not cross a border.

THE ANALYST NEWSLETTER FOURWEEKMBA, 1 OCT 2026 — THE CLEANEST STATEMENT OF WHY THE CONTROL DOES NOT BITE. EXPORT LAW IS A GEOGRAPHY OF OBJECTS; AI CAPABILITY HAS STOPPED BEING ONE.

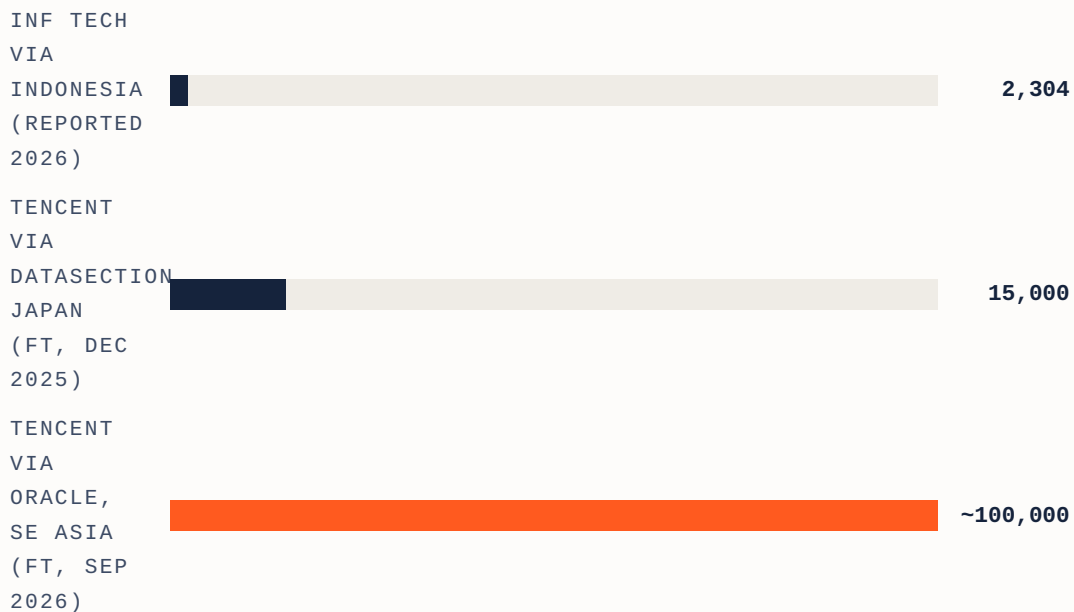
III. What is actually established, and what is one newspaper's sourcing

Keep the spine visible here, because this signal is unusually thinly sourced for its size. Every specific figure — the 100,000 chips, the \$7bn, the five-year term, the 30% prepayment, the Southeast Asian siting — traces to a single *FT* report built on unnamed sources. As one sceptical read noted on 1 October, no SEC filing, 8-K or equivalent disclosure in either company's public record references the transaction, and no HKEX announcement corroborates it. The chip model has never been specified. Nor have the countries, the facilities or the deployment schedule.

What is independently checkable is circumstantial and consistent. Tencent's capital expenditure in Q2 2026 rose 176% year on year to roughly RMB 52.8bn, and free cash flow went negative, which is what a large prepayment looks like from the outside. Oracle, for its part, has the inventory: it reported 850MW of additional data-centre capacity delivered in a single quarter and more than \$30bn of new AI cloud contracts booked on 10 September. Neither fact proves the deal. Both are what you would expect to see if it were real.

Treat the mechanism as the finding and the magnitude as a reported estimate. The mechanism does not depend on the *FT* being right about the number, because the mechanism is already documented elsewhere at smaller scale.

FIG. 1: DISCLOSED OFFSHORE COMPUTE-RENTAL ARRANGEMENTS FOR CHINESE AI FIRMS, BY CHIP COUNT



BARS SCALED TO THE LARGEST VALUE (100,000). COUNTS AS REPORTED; THE ORACLE FIGURE IS UNCONFIRMED BY EITHER PARTY. SOURCES: FINANCIAL TIMES, 21 DEC 2025 AND 30 SEP 2026; INTROL SUMMARY OF DISCLOSED CASES, 2026.

IV. Renting is not buying, and that changes who earns what

The economics of a lease differ from a purchase in ways that matter for every party, and they do not all point the same direction.

For Tencent, renting converts a capital expenditure it cannot legally make into an operating expense it can. It also buys optionality: five years is short relative to a fab cycle, and if domestic silicon matures the contract runs off rather than sitting on the balance sheet as depreciating hardware. The cost is control. A rented cluster can be switched off by a regulator in Washington or a host government in Kuala Lumpur, which makes it a poor foundation for anything Beijing deems strategic. This is why the rental channel complements rather than replaces China's domestic accelerator programme.

For Oracle, this is high-quality demand arriving at a moment when its backlog is dominated by a small number of American AI customers. Remaining

performance obligations reached \$664bn at Q1 FY27, up \$209bn year on year, against quarterly cloud infrastructure revenue of \$7.4bn. A backlog that large and that concentrated carries counterparty risk; a creditworthy Chinese customer paying 30% up front diversifies it and funds capex. That is also the reason to be sceptical of a quiet corporate retreat: the commercial logic is strong enough that if Oracle declines, someone else will not.

For Nvidia the result is close to absurd. Jensen Huang said on 30 April 2026 that the company's China market share had gone from roughly 90% to zero, against \$19.67bn of China and Hong Kong revenue in fiscal 2026. Under the rental structure Nvidia still sells the silicon — to Oracle, booked as American or Southeast Asian demand — and Chinese engineers still use it. What the policy removed was Nvidia's direct customer relationship and the revenue line, not the Chinese access to the capability. Judgement, flagged as such: that is the worst of both outcomes for US industrial policy, forfeiting the commercial position while failing to deny the capability.

v. Southeast Asia becomes the jurisdiction that matters

If compute access is set by where machines sit rather than where they ship, then host-state policy becomes the binding constraint, and the host states are building fast. Research firm Arizton counted 306 operational data centres across Southeast Asia with 173 more in development as of 25 August 2026, with regional investment projected to rise from \$15.72bn in 2025 to \$35.08bn by 2031. Malaysia alone has more than 6GW of IT load planned, roughly 4.0GW of it in Johor. Across Asia-Pacific, Cushman & Wakefield put the development pipeline at a record 26.5GW in the first half of 2026.

That capacity was planned for regional cloud demand. It now has a second, higher-margin use: serving a customer base that cannot buy the hardware directly and will pay a premium for lawful access to it. Estimate, with the assumption stated — if even a tenth of Malaysia's planned 6GW were eventually contracted on terms resembling the reported Tencent deal, the revenue at stake would run to tens of billions of dollars over a contract cycle, which is enough to make end-user restrictions a genuine fiscal question for a mid-sized economy rather than a diplomatic formality.

Governments in Kuala Lumpur, Singapore and Bangkok are therefore about to be asked to choose between American compliance expectations and a

domestic industry they have spent a decade courting. Expect them to choose slowly, and to prefer disclosure regimes over prohibitions.

VI. What Washington can do before the Senate acts

Three instruments are available without new legislation, and each has a cost.

The first is licence conditions. BIS can attach end-user and remote-access conditions to the export licences under which chips reach Southeast Asian data centres in the first place — controlling the session indirectly by controlling the shipment that preceded it. This is the cleanest legal path and the slowest, because it only binds hardware not yet delivered.

The second is the know-your-customer regime that was written and then abandoned. The Foundry Due Diligence Rule from the end of the previous administration would have required data-centre operators to verify end-user identity before provisioning advanced compute; the current administration declined to enforce it. Reinstating a KYC duty is easier to defend than a flat prohibition because it regulates American firms' own conduct rather than foreign access.

The third is pressure on the counterparty. Oracle is an American company with substantial federal business, and informal pressure works faster than rulemaking. It is also the least durable instrument, because it is specific to one firm and does nothing about the non-US operators — Japanese, Indonesian, Gulf — through whom the same structure has already run.

None of these closes the gap. Only RASA does, and RASA is a Senate floor vote that has not been scheduled in nine months.

VII. How it plays out: three scenarios

Probabilities are analytical judgement, not forecasts drawn from a model. They sum to 100%.

1 · Baseline: the gap narrows, slowly, and rental persists ~55%

12-24 MONTHS ·
LEGISLATIVE GRIND

RASA passes in some form during 2027, most likely folded into a defence authorisation rather than as a standalone bill, and BIS issues a narrower rule built on licence conditions and KYC duties rather than a flat prohibition. Compliance shifts onto cloud operators, who build identity-verification into provisioning. Rental continues at reduced scale and higher cost, with a compliance premium priced in. Nobody's position changes decisively: China keeps partial access, Washington keeps partial denial, and the Southeast Asian operators absorb the paperwork.

2 · Acceleration: rental becomes the primary channel ~25%

6-18 MONTHS · FAST
FOLLOW

Alibaba, ByteDance and the state-backed labs sign comparable leases, and capacity in Malaysia and Thailand gets built explicitly against Chinese demand. Washington responds with a blunt jurisdictional rule that reaches allied cloud providers and triggers a fight with Tokyo, Singapore and the Gulf over extraterritoriality. The outcome is a formal split in the global compute market along contractual rather than physical lines, with an identity-and-audit layer becoming a standard cost of operating a large data centre anywhere.

3 · Stall: the deal shrinks under the light ~20%

6-12 MONTHS · QUIET
RETREAT

The report proves overstated, or the arrangement is restructured or abandoned once it is public and politically costly. Oracle declines the business, Chinese buyers fall back on domestic accelerators and smaller intermediaries, and the rental channel stays a documented but marginal route. The policy gap remains open and unlegislated precisely because no transaction large enough to force a vote survives contact with publicity.

WHAT WOULD FALSIFY THIS THESIS

The thesis is that remote access, not physical smuggling or offshore subsidiaries, is now the main channel through which Chinese firms reach frontier compute, and that the gap is statutory rather than enforcement-driven.

It fails on the facts if Tencent's Q3 2026 results show no prepayment or opex line consistent with a multi-billion-dollar upfront commitment, if Oracle's next 10-Q discloses no such counterparty, or if either company denies the arrangement on the record. It fails on the mechanism if BIS asserts authority over remote access under existing law and an American cloud provider complies without litigating — which would show the constraint was political will, not statute. It also fails if Chinese domestic accelerator supply improves enough during 2027 that leasing foreign compute stops being worth the sovereignty cost, in which case this is a transitional arbitrage rather than a structural channel.

WHAT TO WATCH, IN ORDER

1. **By mid-Nov 2026** — Tencent Q3 2026 results. Look for a prepayment, a jump in cloud-services cost of revenue, or a contractual-commitment note consistent with roughly \$2.1bn paid up front. Absence of all three materially weakens the reported figures.
2. **By mid-Dec 2026** — Oracle Q2 FY27 results and 10-Q. Watch RPO composition and any customer-concentration or geographic disclosure naming a large new non-US counterparty.
3. **By 31 Dec 2026** — Senate action on H.R. 2683, or its insertion into the FY2027 NDAA. No movement by year-end means the statutory gap persists through the 2027 rulemaking cycle.
4. **By Q1 2027** — Publication of the BIS remote-access rule in the Federal Register, and specifically whether its preamble claims authority absent RASA. That claim, if made, is the one to watch for litigation.
5. **Through H1 2027** — Malaysian, Singaporean and Thai regulatory responses. Any host-state end-user conditions on data-centre operators would move the binding constraint from Washington to the jurisdictions where the machines actually sit.

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METHOD NOTE: RESEARCH WINDOW 20 SEPTEMBER – 4 OCTOBER 2026. PRIMARY SOURCES USED WHERE AVAILABLE – ORACLE'S Q1 FY27 RELEASE, TENCENT'S Q2 2026 RESULTS, THE HOUSE-PASSED TEXT OF H.R. 2683. THE CENTRAL TRANSACTION IS SOURCED TO A SINGLE FINANCIAL TIMES REPORT OF 30 SEPTEMBER 2026, RELAYED BY REUTERS, WHICH NEITHER TENCENT NOR ORACLE HAS CONFIRMED AND WHICH REUTERS COULD NOT INDEPENDENTLY VERIFY; IT IS TREATED THROUGHOUT AS A REPORTED ESTIMATE RATHER THAN AN ESTABLISHED FACT, AND SECTION III SETS OUT WHAT WOULD CORROBORATE OR CONTRADICT IT. FIGURES LABELLED AS ESTIMATES CARRY THEIR ASSUMPTIONS IN THE TEXT. SCENARIO PROBABILITIES ARE ANALYTICAL JUDGEMENT.

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