

## Semiconductors

### Nvidia AI chip sales to China stalled by US security review

The state department has pushed for close scrutiny before approving export licences



In December, Nvidia chief executive Jensen Huang, right, brokered a deal with President Donald Trump © Jim Watson/AFP

**Michael Acton** in San Francisco, **Demetri Sevastopulo** in Washington and **Zijing Wu** in Hong Kong

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Nvidia's sales of H200 AI chips to China are still awaiting final approval from Washington nearly two months after Donald Trump greenlit exports, as the US government conducts a national security review before granting licences to Chinese customers.

Chinese customers are not placing H200 chip orders with Nvidia until it becomes clear whether they will be able to secure the licences or what conditions will be attached, people familiar with the discussions told the FT.

In December, chief executive Jensen Huang brokered a breakthrough deal with the US president that raised hopes Nvidia could soon return to a market that Huang has said could be worth \$50bn a year.

Nvidia had directed its supply chain to increase production of H200 chips in expectation of “very high” demand from customers in China.

But the implementation of that deal has become bogged down. Some suppliers have since paused production of key H200 components as Washington and Beijing take their time to approve sales.

When Trump agreed to allow Nvidia to export H200 chips to China, he told his administration to conduct a national security review to ensure that appropriate conditions were attached to export licences.

In January, the commerce department issued a regulation that loosened restrictions on the export of the H200 to China but required the US departments of state, defence and energy to review any licences.

The commerce department has completed its analysis, according to one person familiar with the situation. But several people with knowledge of the inter-agency discussions said the state department was pushing for tougher restrictions to make it harder for China to use the H200 chips in ways that would undermine US national security.

One person said the state department’s stance was frustrating Nvidia. “State is making it very difficult,” said the person.

The December US agreement, which also applies to Nvidia rival AMD, allows the US to take a 25 per cent cut of sales while introducing strict criteria for how licences will be approved.

These include a requirement that half of all shipments go to US customers, as well as mandatory reviews by third-party testing labs based in the US and reporting requirements regarding the end use of the chips.

Beyond these initial restrictions, people familiar with the situation said there were many factors that had to be considered, including whether Chinese companies could guarantee to Nvidia that its chips would not be used to benefit the Chinese military.

“The state department has deep expertise in whether and how Chinese companies could use these chips to support Chinese defence and intelligence services,” said Chris McGuire, senior fellow for China and emerging technologies at the Council on Foreign Relations.

“If state is raising concerns about the national security implications of approving the licences, that shows there are real and significant risks associated with these licences. It would be irresponsible to disregard these concerns,” said McGuire, who previously was a senior state department export controls expert.

The process was more complicated than a normal licence evaluation because of the novel approach that Trump had taken by agreeing to grant licences and then asking his team to set the conditions, said the person familiar with the state department’s stance.

Huang intensively lobbied the White House last year to reverse course on long-standing export bans, warning that they would give a leg-up to domestic competitors such as Huawei. This argument has been dismissed by many US national security experts. Trump’s deal with Nvidia marked a dramatic reversal in US policy and was met with resistance from his supporters.

The H200 is one of Nvidia’s more advanced AI chips, but still a generation behind its latest Blackwell hardware.

The agreement has received a wary response from Beijing. Chinese regulators have discussed allowing selected tech companies limited access to buy the H200, but the detailed conditions are yet to be finalised as officials wait to see if US licences will be granted, according to people with knowledge of their plans.

Chinese tech groups will also not be allowed to ship the H200 to data centres outside the country, frustrating their global ambitions. Companies such as Alibaba and ByteDance currently access Nvidia's AI chips outside China by leasing space with third-party data centres. The ability to build their own facilities with compliant H200 chips would widen their options and reduce reliance on these third parties.

Chinese companies are preparing alternative plans for securing AI chips as they cannot rely on large quantities of the H200 entering China, the people said.

Speaking to analysts on Tuesday, AMD chief executive Lisa Su confirmed the company was still waiting on US licences to ship its own MI325X chip under the December deal.

Nvidia, AMD and the state department declined to comment.

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