

Trump Says Chips Ahoy to Xi Jinping

Editoriale

President Trump said this week he will let [Nvidia](#) sell its H200 chip to China in return for the U.S. Treasury getting a 25% cut of the sales. The Indians struck a better deal when they sold Manhattan to the Dutch. Why would the President give away one of America's chief technological advantages to an adversary and its chief economic competitor?

Mr. Trump's move to ease export controls on computer chips illustrates his confusing China policy, to the extent he has one. In the first term he changed America's China debate as a trade and security hawk. Eight years later he's sounding like the post-Cold War "globalists" he denounces who thought the lure of commerce would make the world safer.

The U.S. artificial intelligence lead owes largely to its advantage in computing power. China's best AI chips are behind those designed by Nvidia, though how far behind is debatable. Most say it's 18-24 months, but for now the U.S. exceeds China in AI computing power.

One reason is that Beijing's semiconductor industrial policy has resulted in colossal waste and corruption. China's national champion Huawei has struggled designing high-powered chips, which are needed to train advanced AI models. This, in turn, has frustrated Beijing's ambitions to dominate biotech, quantum computing and military power.

The charges that the Justice Department unveiled this week against Chinese businessmen for allegedly smuggling Nvidia's H200 chips underscores their strategic importance. "They are designed to process massive amounts of data, advancing

generative AI and large language models and accelerating scientific computing. These GPUs are used for both civilian and military applications,” the press release says.

Yet now Mr. Trump wants to sell the advanced H200 without strings. The question is why? Nvidia CEO Jensen Huang has lobbied for loosening the restrictions. The company’s friends in the White House argue that doing so could retard China’s drive to develop competing chips and make its AI developers dependent on U.S. chips. That’s their best argument.

But Beijing isn’t subsidizing homegrown competitors so it can depend on U.S. technology. China knows it trails the U.S. in AI, and that lack of unlimited access to Nvidia’s H200 chips has hindered Chinese AI developers like DeepSeek. [Xi Jinping](#) wants H200s so DeepSeek and others can close the gap with Google, OpenAI, Anthropic and U.S. companies.

By the way, the biggest hindrance for American AI developers is a shortage of computing power. Letting Nvidia sell advanced chips to China means there is less “compute,” as the techies say, for U.S. firms, especially startups.

Mr. Trump wrote on Truth Social that easing export controls on the H200 won’t hurt Nvidia’s U.S. customers since they “are already moving forward with their incredible, highly advanced Blackwell chips, and soon, Rubin.”

It’s true Nvidia’s new Blackwell and forthcoming Rubin chips are in high demand. But U.S. AI developers are buying any AI chips they can get. This is why OpenAI struck a chip deal with [Advanced Micro Devices](#) in October. [Meta](#) is looking to buy chips from Google, a competitor in other domains.

There’s also nothing to stop Beijing from commanding DeepSeek or other Chinese companies to use Chinese-made chips in the future, if and when they improve. AI developers can also mix and match technology “stacks,” similar to how businesses do with software. And don’t discount that Chinese chip makers will figure out how to rip off Nvidia’s technology.

Maybe the President figures the Chinese will eventually copy or catch up to Nvidia’s H200, so he might as well let Nvidia make money before that happens. Sophisticated multinational smuggling rings are helping Chinese companies evade export controls,

as Justice says. But the controls have worked well enough that President Xi Jinping still views Nvidia chips as a high priority.

We sure hope Mr. Trump isn't doing this for Nvidia's 25% tax payments to Treasury. The Constitution vests taxing power in Congress, yet Mr. Trump is essentially trading national security for pennies on the dollar.

In August the Administration let Nvidia sell its H20 chip to China, conditioned on Treasury getting a 15% cut. At least the Administration then claimed China had agreed to ease rare-earth magnet controls in return—only for Beijing to ratchet up restrictions on rare-earth exports again in October before the Xi-Trump trade truce a few weeks later.

What is Mr. Trump getting from Beijing now besides better mood music before his planned visit to China in the spring?