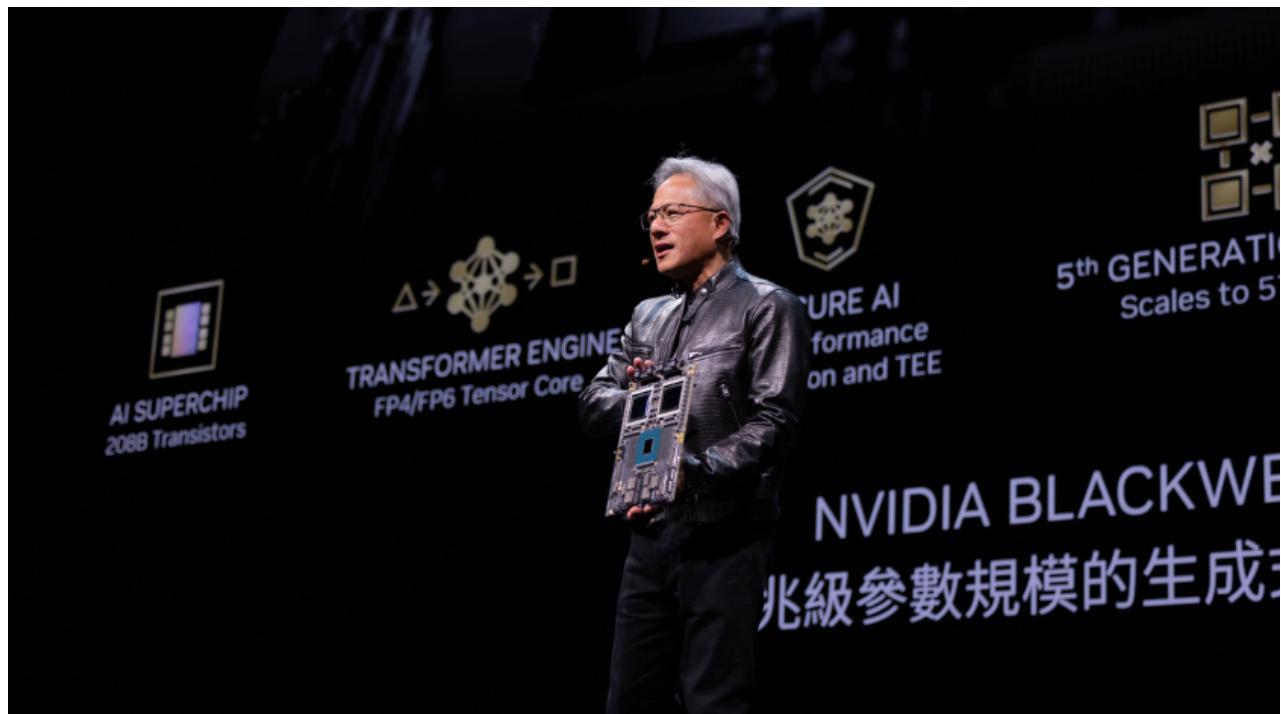


New rules could boost Nvidia's sales to China under strict oversight

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The US Commerce Department has updated export rules that would ease chipmakers to shipping data centre hardware to trusted end users.

The expanded Validated End User (VEU) program authorises certain items to be exported or transferred to pre-approved entities — which would enable chipmakers like Nvidia to export hardware to customers in China and India after they have undergone necessary checks.

“The Data Centre VEU program will rigorously vet applicants to ensure that any authorisation includes appropriate safeguards and security measures that protect our most advanced technologies,” said Alan F. Estevez, Undersecretary of Commerce for Industry and Security.

The expansion of the VEU program to cover hardware for data centres is likely a welcome reprieve for semiconductor manufacturers looking to export to China.

The Biden administration placed export controls that bar shipments of powerful GPUs capable of running high-intensity AI workloads from being sent to China, leaving many Chinese companies scrambling to find alternatives.

The rules heavily impacted chipmakers, with Nvidia keen to recapture a market that accounted previously accounted for 26% of its turnover a number that has dropped to around 17% following the introduction of the export rules.

Adding data centres to the VEU program would provide chipmakers like Nvidia with a way to continue selling their advanced hardware to approved Chinese entities while still adhering to the export controls.

The VEU program update also reduces licensing burdens, allowing exporters to ship items under a general authorisation, instead of under multiple individual export licenses.

Operators will only be able to ship items under the program following a thorough review process which requires approval from the Departments of Commerce, Defence, Energy and State.

Authorisation may also require the government where companies are exporting to provide “assurances” over security and agreements to facilitate on-site compliance reviews.

The Commerce Department said the rigorous review process “ensures necessary safeguards are in place to protect US technology from diversion or misuse contrary to US national security and foreign policy.”

“AI is the quintessential dual-use technology; it is in the interest of U.S. national security to work with industry and partner governments to develop a secure global technology ecosystem,” said Thea D. Rozman Kendler, assistant secretary of the Commerce for Export Administration.

“Through the Data Centre VEU program, working with our interagency partners, we will ensure that data centres that demonstrate commitment to the highest security standards obtain facilitated access to advanced U.S. technological innovation.”

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