

US, Japan, Netherlands restrict chipmaking exports to China

Article

The news: A joint agreement led by the Biden administration to limit exports of advanced chip-manufacturing components to China has the support of Japan and the Netherlands, per [PCMag](#).

Building a silicon fence around China: The agreement blocks China's access to photolithography equipment. The tools are essential in designing and producing high-end chips at scale.

- The Netherlands will prevent Dutch photolithography machine maker **ASML Holding** from selling to China.
- Japan is setting similar restrictions on **Nikon** for its own semiconductor lithography systems.
- While the agreement was reportedly made in Washington last week, it has not been formally announced by any of the three countries.

Implementing the restrictions could take months, but other steps to curtail China's technology innovation are well underway.

- **PC maker Dell** announced it would stop using chips from China in its products before the close of 2024.
- **Alibaba, Nvidia, and Biren Technology** are some of the chipmakers reducing the processing speeds of their chip designs to avoid US-imposed sanctions aimed at suppressing Chinese computing power.

Reprisal is expected: China is "100% sure" to retaliate over the Japanese backing of US restrictions on semiconductor exports, and firms facing the fallout should look for markets elsewhere, said **Shigeharu Aoyama**, a representative of Japan's ruling Liberal Democratic Party.

- China, Japan's largest trading partner, said the US effort showed its "selfish hegemonic interest," per Bloomberg.
- Beijing officials took their grievances to the **World Trade Organization** last month, demanding various US-imposed export controls be overturned.

What's next? "This sets the next escalating move in the US-China tech war a bit more meaningfully and could weaken yuan sentiment in the near term," said **Fiona Lim**, a foreign-exchange strategist at **Maybank** in Singapore.

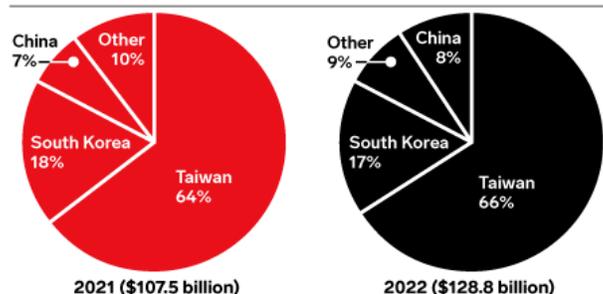
- The mounting restrictions could spur Beijing to accelerate China's development of necessary technologies, which could be difficult without photolithography equipment.

- “If they cannot get those machines, they will develop them themselves,” ASML CEO **Peter Wennink** told Bloomberg News. “That will take time, but ultimately they will get there.”

Our take: With its [economy on the ropes](#), expect intensifying pushback from China as Beijing struggles to recover from 2022’s losses. Lack of access to important chipmaking technology could widen the innovation gap between China and Taiwan, the US, and South Korea.

Semiconductor Foundry Revenue Share Worldwide, by Country, 2021 & 2022

% of total



Source: TrendForce as cited in press release, April 25, 2022

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