

US government bans sale of supercomputer chips to Russia and China

Article

The news: Nvidia revealed during an SEC filing that it could lose up to \$400 million in Q3 sales due to a new US government restriction forbidding the export of AI supercomputer chips to Russia and China, [per](#) Engadget.

Caught in the middle: Semiconductors are a battleground between the US and China, which are competing to accelerate chip production to match up with Taiwan and South Korea as

well as reduce reliance on foreign chips.

- **AMD** and Nvidia stocks were rocked by the news yesterday. AMD's stock was down 5.1% and Nvidia's shares plunged 10%, hitting a 52-week low.
- Washington fears that the chips could be used for military purposes by either country. In Nvidia's case, this affects its current **A100** and one of its upcoming **H100** GPUs used to accelerate machine learning.
- The requirement follows another [export control rule](#), and a [provision](#) from the **CHIPS and Science Act** preventing China from accessing advanced chip design and high-end chips.
- Nvidia, which does not sell products to Russia, said it may be required to "transition certain operations out of China." It said it was asking the government for exemptions for its development and support activities.
- The company projected **\$400 million in Q3 sales** to Chinese firms like **Alibaba, Tencent, Baidu, Didi, and Lenovo**—a loss of profit that will affect future product development.
- AMD said the measures could affect sales of one of its high-end GPUs but did not believe the restrictions would have a material effect on its business, [per](#) The New York Times.

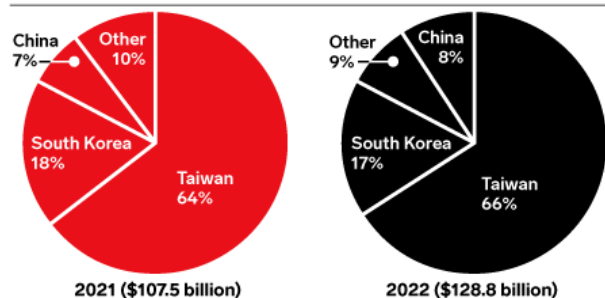
Beijing's response: The Chinese government called on Washington to repeal its technology export curbs, [per](#) The Hill.

- "China firmly opposes this," said ministry spokesperson **Shu Jueting**. "The US side should immediately stop its erroneous practices, treat companies from all countries equally, including from China, and do more to contribute to world economic stability."
- **China, which has 8% of the total foundry revenues by country, could retaliate by enforcing similar rules on chipmakers** or impose sanctions on companies that they see as aligning with the US through their participation in CHIPS Act incentives or through the new restrictions.
- This could result in fragmentation, with the US and China each developing competing products and standards.

What this means for chipmakers: Highly diversified chip manufacturers could overcome the loss of business in China in the long term. The recent [decline in GPU demand](#), as well as persistent [supply chain issues](#), make it extra challenging to make adjustments.

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

% of total



2021 (\$107.5 billion)

2022 (\$128.8 billion)

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

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