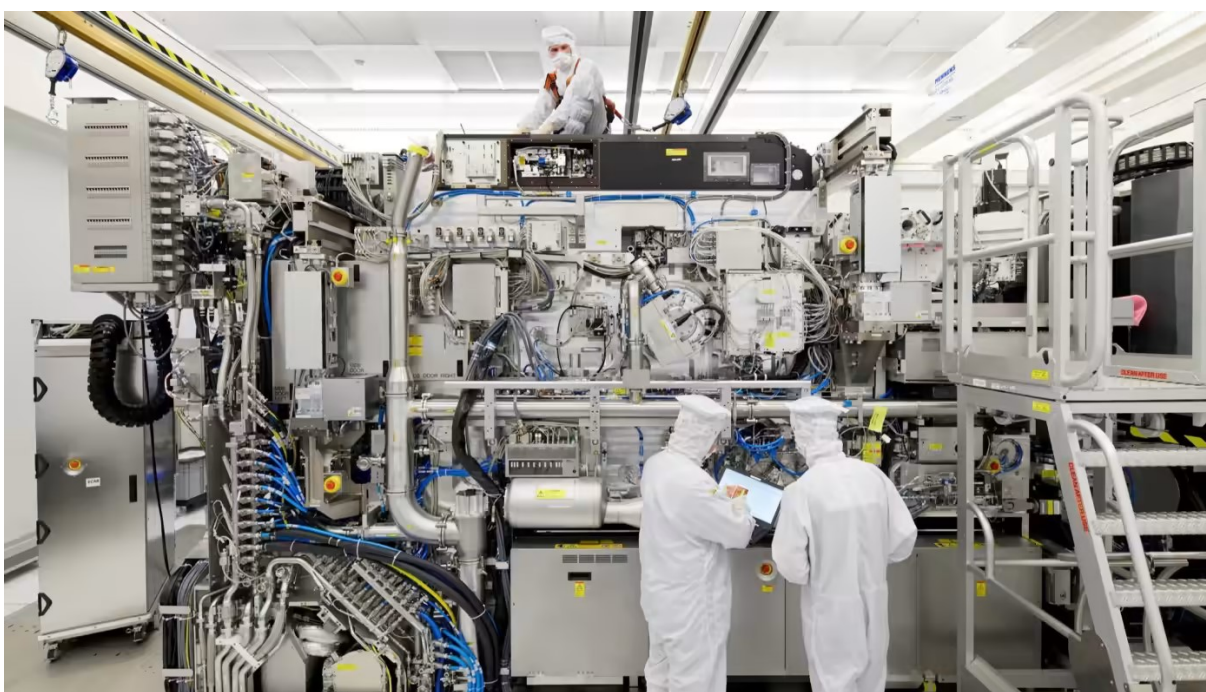


Semiconductors

China imports record amount of chipmaking equipment

Data shows surge in June and July purchases ahead of export curbs by Japan and the Netherlands



China is building up reserves of equipment to ensure it can expand chip production, experts said © Bart van Overbeeke Fotografie/ASML/Reuters

Andy Lin and **Qianer Liu** in Hong Kong 8 HOURS AGO

China's imports of semiconductor equipment have surged to record highs ahead of the implementation of export curbs by US allies.

Chinese customs data shows the country's chip production tool imports in June and July totalled nearly \$5bn, up 70 per cent from \$2.9bn in the same period last year.

Most of the imports came from the Netherlands and Japan, two countries that have [imposed export restrictions](#) on chipmaking equipment as they work with the US to slow China's technological advancement.

The restrictions mean buyers of some tools will have to apply for licences from the Dutch and Japanese governments, raising concern among Chinese chipmakers. Japan started enforcing its restrictions on July 23, while the Dutch curbs will come into effect on September 1.

While it is not clear how much of the increase in imports relates to tools that will be covered by restrictions, the purchases suggest [China](#) wants to avoid any disruption to its plans to expand chip production.

With the imported equipment, Chinese companies are trying to build up output of less cutting-edge [chips](#) that are not covered by western restrictions.

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“This is one of China’s responses to the . . . export restrictions in the Netherlands and Japan,” said Lucy Chen, vice-president of Taiwan-based research firm Isaiah Research. “China increased its inventory of semiconductor equipment through advance stockpiling to alleviate potential supply chain bottlenecks.”

Chinese groups such as Semiconductor Manufacturing International and Yangtze Memory Technologies depend on equipment from the US, the Netherlands and Japan to manufacture chips.

The tools category in the customs data consists of equipment such as lithography and etching machines for chip production but does not include components and materials such as wafers.

Chinese imports of Dutch chipmaking equipment doubled in June and July from May

as a result of the delivery of more lithography machines to Chinese clients from ASML, said industry insiders familiar with equipment procurement in the country. ASML is one of the biggest producers of chipmaking equipment.

ASML's chief executive Peter Wennink said in an earnings call last month that there had been strong demand from Chinese customers for tools to make mature or less cutting-edge chips. ASML declined to comment further.

Imports from Japan have also increased. Some Chinese companies started buying etching equipment and wafer-coating machines from Japanese companies after the US started tightening its export controls on chip equipment in 2020.

Some of the machines imported in recent months have gone to recently established small foundries backed by local governments in China, as Beijing works to expand its chipmaking capacity, said two government officials familiar with the situation.

China's chip equipment purchases from other places, including Singapore and Taiwan, have also contributed to record imports from those countries.

The surge highlights China's attempt to keep expanding production of less advanced chips despite the challenges posed by tightened export controls, experts said.

According to technology market research group Counterpoint, there was a 30 per cent increase in shipments from the top five chipmaking equipment sellers to China in the second quarter of this year.

"China's concentrated investment in strategic [fabrication plants] serves to ensure local supply, while sustained commitments to mature technologies act as a buffer against geopolitical uncertainties," said Ashwath Rao, senior research analyst at Counterpoint.

Rao said China was producing chips for use in electric vehicles, the green energy transition and industrial applications, which only require older chips not subject to export controls.

Additional reporting by Tim Bradshaw in London

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