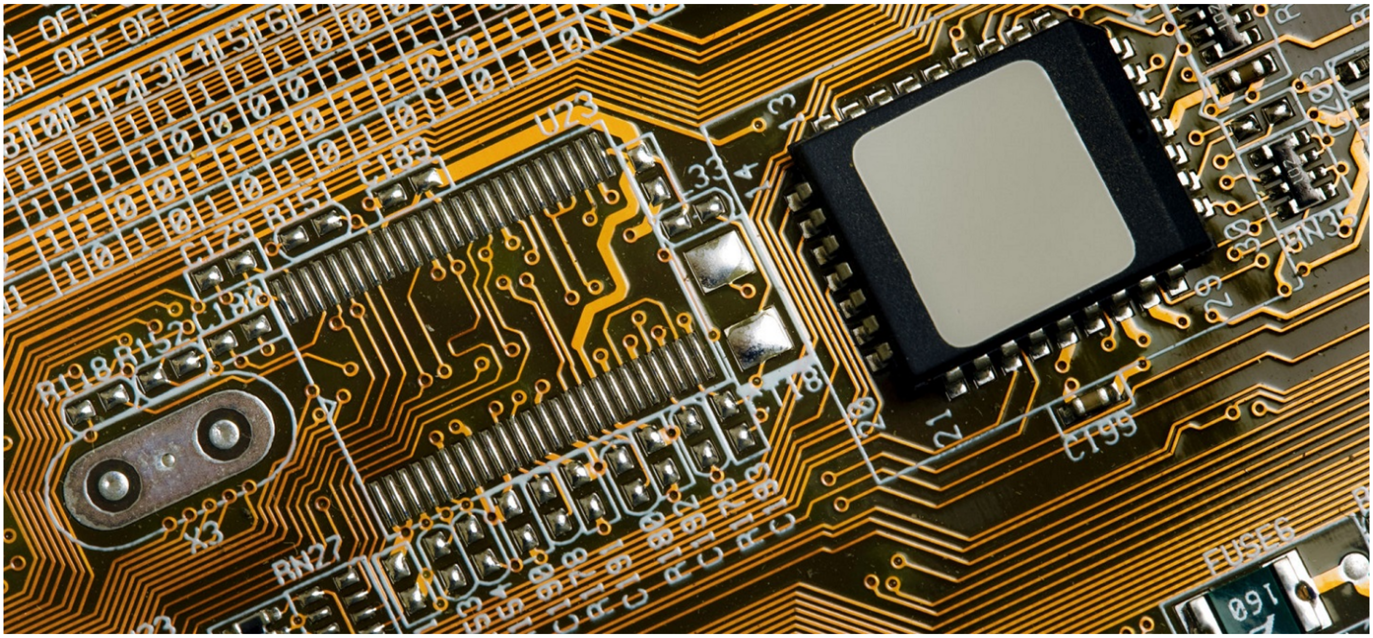


Tighter US restrictions should further incentivize domestic efforts to replace lower-power AI computing in the mainland Chinese ecosystem. (UBS)

# US restricts China’s access to key inference chips

16 April 2025, 2:27 pm EDT, written by US Editorial Team UBS Editorial Team

**The US Commerce Department on Tuesday announced new export licensing requirements on China-bound shipments of NVIDIA’s H20, AMD’s MI308, and other equivalent AI chips.**

NVIDIA separately announced a USD 5.5bn charge on the restrictions, which until now were the most advanced chip it could sell into China. It's not clear how many US export licenses, if any, may be granted. With US-China relations already strained, China’s rapid improvement in AI capabilities has caught Washington off guard and amplified calls for more aggressive US containment measures. Alongside the export restrictions and tech control regime, the global semiconductor sector is also facing the prospect of higher US import tariffs under a Trump administration section 232 national security probe.

*Our view:* Beyond the broader sentiment hit, we expect the direct impact of this latest ban to be manageable across the semi supply chain. For leading-edge contract chipmakers, the 5nm process used for producing H20 class chips is already close to full utilization, so capacity will likely be reallocated to other products. Memory makers could see a hit of around 1% of sales, mainly coming from the high bandwidth memory chips embedded into the sales. AI server makers will likely see a low-single-digit impact on sales amid product diversification. Beyond this action, we are monitoring the risks of additional semi sector restrictions, such as further curbs on third-nation AI chip exports to China or capacity leasing to Chinese entities.

The Trump administration will also need to decide soon how it proceeds with the pending US AI diffusion rules, announced during the Biden administration, that would tier countries by perceived risk and potentially limit AI chip exports and cluster size. We continue to rate Taiwan equities as Attractive, which on a P/E-to-growth multiple ranks among the top three cheapest large markets globally. For large-cap mainland China tech names, further restrictions on AI chips could be a near-term speed bump, but should be manageable given their existing chip stockpiles. For mainland China data center operators, the projected earnings impact is likely to be in the single digits in 2026 and low- to mid-teens in the coming years if they fail to find a replacement. Tighter US restrictions should further incentivize domestic efforts to replace lower power AI computing in the mainland Chinese ecosystem.

Original report: **Renewed trade anxiety adds to volatility, 16 April 2025.**

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