

China mandates 50% local equipment rule for chipmakers

REUTERS

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China is requiring chipmakers to use at least 50 per cent domestically made equipment for adding new capacity, three sources said, as Beijing pushes to build a self-sufficient semiconductor supply chain.

The rule is not publicly documented, but chipmakers seeking state approval to build or expand their plants have been told by authorities in recent months that they must prove through procurement tenders that at least half their equipment will be Chinese-made, the sources told Reuters.

The mandate is one of the most significant measures Beijing has introduced to wean itself off reliance on foreign technology, a push that gathered pace after the US tightened technology export restrictions in 2023, banning sales



of advanced AI chips and semiconductor equipment to China.

The 50 per cent rule is leading Chinese manufacturers to choose domestic suppliers even in areas where foreign equipment from the US, Japan, South Korea and Europe remain available.

Applications failing the threshold are typically rejected, though authorities grant flexibility depending on supply

constraints, the sources said. The requirements are relaxed for advanced chip production lines, where domestically developed equipment is not yet fully available.

“Authorities prefer if it is much higher than 50 per cent,” one source told Reuters. “Eventually they are aiming for the plants to use 100 per cent domestic equipment.” China’s industry ministry

Domestic push

- Xi Jinping has been calling to build a fully self-sufficient domestic semiconductor supply chain
- The push intensified after US export controls in 2023, which restricted advanced chip and equipment sales to China
- The policy forces fabs to choose Chinese suppliers even where foreign tools are still available
- China has reached 50% self-sufficiency in cleaning and photoresist-removal equipment

cutting-edge chips, an outcome that Washington has spent years trying to prevent.

“Before, domestic fabs like SMIC would prefer US equipment and would not really give Chinese firms a chance,” a former employee at local equipment maker Naura Technology said, referring to the Semiconductor Manufacturing International Corporation.

The policy is already yielding results, including in areas such as etching, a critical step that involves removing materials from silicon wafers to carve out intricate transistor patterns, sources said.

Analysts estimate that China has now reached roughly 50 per cent self-sufficiency in photoresist-removal and cleaning equipment, a market previously dominated by Japanese firms, but now locally led by Naura.

US okays Samsung, SK Hynix chip tools for China

The US government has granted an annual licence to Samsung Electronics and SK Hynix to bring in chip manufacturing equipment to their facilities in China for 2026, two people familiar with the matter said on Tuesday. The approval is a temporary relief for the South Korean firms and follows a US decision earlier this year to revoke licence waivers given to some tech companies. The source said that Washington introduced the annual approval system for exports of chipmaking tools to China.

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