

BUSINESS / TECH

## Japan plans to curb exports of chips and quantum-computing tech



Technicians at work in the clean room of a semiconductor manufacturing facility in Ibaraki Prefecture. | BLOOMBERG

BY MAYUMI NEGISHI

BLOOMBERG

Feb 1, 2025

Japan has expanded its export controls to include cutting-edge chips and quantum computer-related technology, a move China warned could have a negative impact on trade between the two countries.

The central government is expanding its list of export-controlled items to include advanced chips, lithography equipment and cryocoolers needed for the manufacture of quantum computers, according to draft revisions to the foreign exchange law.

Companies will need licenses to export the items to prevent their use in weapons or their development, economy ministry officials have said. Advanced chips could be diverted to increase the computational capabilities of precision-guided weapons, while quantum computers could be used to break encryption.

The new curbs are scheduled to come into effect at the end of May.

The move comes as the U.S. looks to close loopholes to its restrictions on sales of chips used for artificial intelligence applications amid growing alarm in Washington over the possible re-export of Nvidia semiconductors to China.

Separately, Tokyo is also strengthening its exports controls by adding to its entity list. The ministry included 42 new entities worldwide to its list of foreign companies and organizations that would be subject to export oversight on any dual-use items. The additions come into effect on Feb. 5, it said. A total of around 110 Chinese companies, research institutions and other entities are on the list.

China responded to the new controls by saying they could impact the security and stability of supply chains and affect normal commercial exchanges between enterprises. Beijing hopes Japan will make sure the measures don't hinder the economic and trade development between the two countries, according a statement from the Ministry of Commerce in Beijing.

China has embarked on a diplomatic charm offensive with U.S. allies and partners in recent months. Some foreign policy analysts link the shift to a desire by China for stability considering the change of leadership in the U.S.

Chinese Foreign Minister Wang Yi has informally invited Prime Minister Shigeru Ishiba to attend the opening ceremony of the

Asian Winter Games in the northeastern Chinese city of Harbin in early February, Kyodo News reported Friday.

Diplomatic sources cited in the report played down the likelihood of the trip happening, however, pointing out that the Japanese government is trying to organize a meeting between Ishiba and U.S. President Donald Trump at around the same time. Ishiba is expected to meet with Trump on Feb. 7.

Foreign Minister Takeshi Iwaya met Wang and Premier Li Qiang in Beijing late last year. The two sides agreed to introduce more measures to promote tourism between the countries, the Chinese government said in a statement, and also affirmed the importance of deepening communication on security, according to Japan's statement.

Japanese companies have benefited greatly from the increased demand from China in recent years for machines to make semiconductors, with sales hitting a record last year. It's unclear how the tighter controls will affect that, but the administration of former U.S. President Joe Biden had been pushing Japan and the Netherlands for years to make it more difficult to sell these high-tech goods to Chinese companies.

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Li\_Dan · Feb. 1, 2025

## China Warns Japan over Tighter Export Controls on Chips

Japan in June 2023 first imposed export controls to limit sales of chip equipment to China, and now plans to add 21 new items, including advanced semiconductor and quantum computing-related equipment, to its export control list.

TMTPOST -- Beijing on Friday issued a serious warning about Japanese government's plan to tighten export controls as the U.S. and its allies are attempting further their high-tech curbs on China.



Credit: Tokyo Electron

Japan's planned export controls on semiconductors will disrupt normal trade between Chinese and Japanese enterprises and damage the interests of businesses in both countries, said spokesperson for the Ministry of Commerce of China (MOFCOM) in a statement on Friday.

"For some time, a few countries have generalized the concept of national security and abused export control measures to suppress China's semiconductor and other industries," the spokesperson said.

The spokesperson urged Japan to listen to the rational voices of the industry, promptly rectify its actions, prevent relevant measures from hindering the healthy development of bilateral trade, and work with China to maintain the stability and smooth flow of global industrial and supply chains.

China reserves the right to take necessary measures to firmly safeguard its legitimate interests, the spokesperson stated.

The spokesperson made comments after Tokyo announced on January 17 that dozens of companies around the world including 18 Chinese firms would be placed on its sanction list due to alleged support for Russia's efforts to evade sanctions. The Japanese government also released a draft to add 21 new items, including advanced semiconductor and quantum computing-related equipment, to its export control list. The government is soliciting public opinion on the proposed new export controls. The METI is expected to implement the related measures as early as late May.

The newly-planned restrictions are the third round of control expansion in less than two years. Japan in June 2023 first imposed export controls to limit sales of chip equipment to China, placing restrictions on 23 types of semiconductor equipment, and in April, 2024 announced 21 additional new items, including advanced semiconductor and quantum computing-related equipment to its export control list.

Under Japan's Foreign Exchange and Foreign Trade Act, companies must secure prior government approval before exporting items that could be used for military purposes. Exporter have to apply for export license to the Ministry of Economy, Trade and Industry (METI) if an export item is covered by the export control list. The METI, which is responsible for export control on both defense and dual-use goods and technologies, shall examines the appropriateness of the end-use and the end-user of the license application, and decides whether to permit or deny the application.

The additional equipment in the list included those used in EUV (extreme ultraviolet) lithography, crucial for developing the world's most advanced chips, marks a critical step in this strategic limitation, following the U.S. imposition of enhanced controls in October, 2023. With that move, Japan became more aligned with U.S. policy targeting chips used in supercomputers and artificial intelligence (AI) applications. It was reported that Japan and Netherlands at the beginning of 2023 had agreed to comply with a number of U.S.-led restrictions relating to the exportation of high-tech chipmaking technology to China.

Japan's tighter export controls, in line with U.S. actions to prevent cutting-edge semiconductor technology and devices from reaching China, increased risks of retaliation from Beijing. Bloomberg in last November reported senior Chinese officials have warned Japan could face "severe economic repercussions" if it decides to limit sales and maintenance of semiconductor equipment in step with U.S. policy.

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