



Chinese Views on BIS Licensing Requirements for NVIDIA H20 Chips

U.S. Issues New Export Licensing Requirements on U.S. AI Chips

On 15 April 2025, the U.S. Department of Commerce stated that it would issue new export licensing requirements on specific U.S. AI chips to China. These new licensing requirements included NVIDIA's H20, an AI chip designed specifically for the Chinese market following tighter U.S. government export controls on chip exports to China. Chinese media frequently asserted that the new restrictions would spur China's long term domestic chip development, harm NVIDIA's business in China, and promote the use of Huawei alternatives. A small number of reports stated that Chinese companies are still reliant on foreign chips, and that U.S. restrictions would negatively affect China's automotive manufacturers.

Sources are withheld. Please [contact us](#) to obtain the source list.

Licensing Requirements to Stimulate China's Long Term Domestic Chip Development

Chinese reactions to the announcement largely focused on the need for domestic substitutions and technological innovation in response to U.S. export restrictions on NVIDIA's H20 chips. These reports asserted that restrictions on U.S. chips would likely promote China's domestic chip industry. For example, the Chinese financial news website Jinrong Jie asserted that the U.S. restrictions on H20 chips will accelerate policy and capital shifts toward semiconductor equipment such as lithography machines and ion implantation machines. According to the report, in the short term, domestic substitution remains the focus, while in the long term, it is necessary for China to make the leap from a "follower" to a "rule setter" via its technological breakthroughs.

An article published by the state-run *Beijing Business Daily* cited remarks from Yu Xiekang, executive vice president of the Integrated Circuit Branch of the China Semiconductor Industry Association, who said that in the short term, U.S. restrictions will undoubtedly put enormous pressure on China's semiconductor industry in terms of technological R&D. Yu further asserted that in the long run, China's semiconductor industry will be forced to accelerate the independent innovation and industrial chain reconstruction of Chinese semiconductor companies and thus enable China's semiconductor industry to develop rapidly.

A report from EEPW, a Chinese media platform focused on electronics technologies, similarly cited industry insiders who said China's chip technology R&D has become the key to breaking the deadlock created by U.S. export restrictions. In particular, the commercial acceleration of domestic computing chips and breakthroughs in high bandwidth memory technology by storage manufacturers will be critical. Insiders predict that the process of domestic semiconductor substitution may accelerate, while the localization rate is expected to increase.

Licensing Requirements Harm NVIDIA's Business, Promote Use of Huawei Alternatives

Several Chinese articles published in response to the recent licensing requirements argued that they would have a negative impact on NVIDIA's business. One article published by *CE Weekly*, a

publication under the Chinese Communist Party's *People's Daily*, claimed that U.S. export controls on NVIDIA's H20 chips will not only cause NVIDIA to lose markets and future opportunities, but

also face Chinese retaliatory export controls on important materials such as rare earth minerals, which may deal a significant blow to NVIDIA's chip production.

Another article published by Sina Finance stated that in response to U.S. export restrictions on NVIDIA's H20 chips, Chinese companies have been reducing their reliance on NVIDIA chips, training models on edge devices, and shifting a large amount of inference workload to alternative NVIDIA chips. A separate Sina Finance article also argued the core pillar of NVIDIA's AI empire is CUDA. Today, the CUDA ecosystem gathers about 4.3 million developers, of which 1.5 million are from China, accounting for more than 30 percent, thus constituting a key force supporting its development. If the Chinese developer group is lost, then NVIDIA will suffer huge losses. NVIDIA's CEO Jensen Huang is concerned that local Chinese companies are accelerating their layout and challenging CUDA's monopoly.

Chinese reactions to the licensing requirements also claimed that the restrictions will promote the use of alternative AI chips developed by Huawei. One article published by *The Paper*, an online news service managed by a state-run media group, cited industry insiders who said that Huawei's Ascend AI chips can already replace NVIDIA's H20 to a considerable extent. The article stated that although H20 is still the preferred choice for Chinese technology giants to deploy large models, if there is a risk of supply chain disruption in the future, NVIDIA's Chinese customers will inevitably look for alternatives.

Another article published on Tencent's QQ News cited a Huatai Securities' assessment that the new restriction on H20 exports will cause NVIDIA to lose some of its market share in China, while domestic AI chip manufacturers are expected to increase their market share. In addition, the localization process of the semiconductor industry is expected to further accelerate. The article argued that many Chinese companies are comparatively strong in AI chips, and many of these domestic suppliers, such as Huawei's Ascend chips, can replace NVIDIA's GPUs.

Chinese Companies Still Reliant on Foreign Chips

A smaller number of articles observed highlighted that Chinese companies are still reliant on chips from overseas. An English-language report published by the Chinese financial and business news outlet, Caixin Global, stated that Chinese companies remain reliant on foreign-made chips, despite efforts to boost domestic production of comparable technology.

One of the reports observed stressed that licensing requirements would negatively affect China's automotive industry. *The Paper* reported that the U.S. tariff war and series of export restrictions pose a threat to the chip imports of Chinese car companies. In the short term, it will be impossible for Chinese car companies—such as NIO, XPENG, and Li Auto—to completely abandon NVIDIA

and switch to their own chips. A more feasible path is to gradually transition from purchasing NVIDIA chips to a mixed strategy of self-development and third-party procurement. In the long run, it will be a general trend for car companies to replace outsourcing with their own chips.