



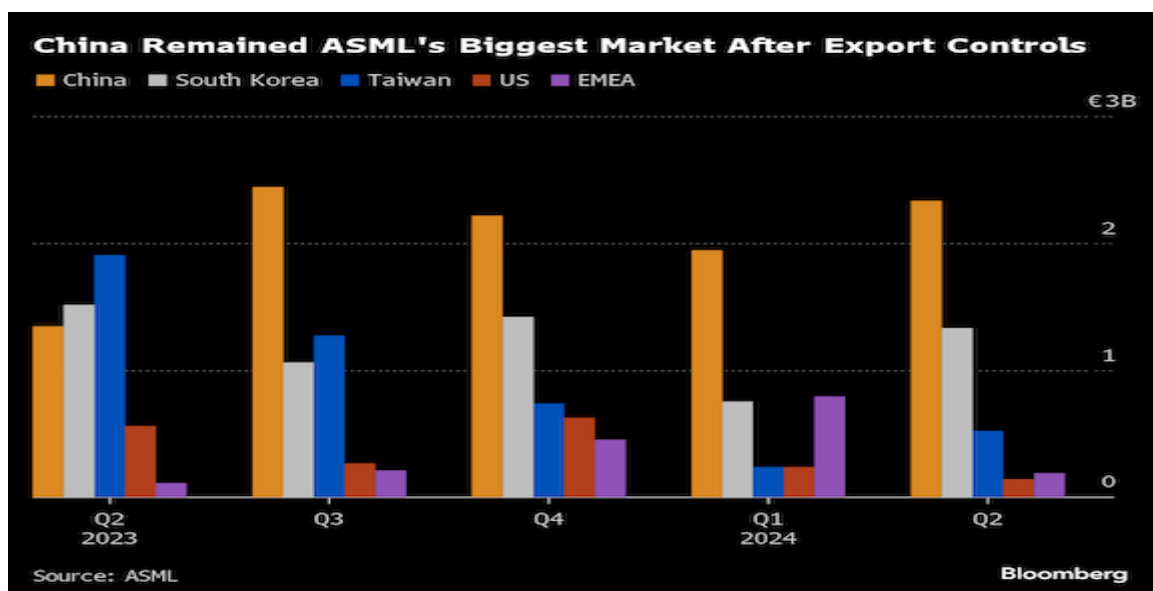
ASML's China sales surge highlights risk of tighter US curbs

By: Cagan Koc | Jul 17 2024 at 04:45 PM | [International Trade](#)

ASML's surging sales to China in the second quarter accounted for nearly half of the Dutch company's revenue, revealing the limited impact of US export restrictions so far as the Biden administration considers even tougher curbs.

The results highlight how much is at stake for ASML as the US warned allies that it is considering using its most severe trade restrictions to prevent companies from giving China access to advanced semiconductor technology. Washington is mulling whether to impose the measures, called the foreign direct product rule, on companies including ASML, Bloomberg News reported earlier Wednesday.

ASML's increasing exports to China risks ramping up diplomatic tensions between the US and Dutch government. It is the world's only producer of equipment needed to make the most advanced chips and is Europe's largest tech company by market capitalization.



The US is seeking leverage with the Netherlands and Japan as they resist fresh demands from Washington to limit their companies' ability to service and repair restricted gear that's already in China, something that US firms are barred from doing.

ASML shares plunged 11% in Amsterdam on Wednesday to €870.90 after the Bloomberg report, wiping out €42.7 billion (\$46.7 billion) of market value. That was the biggest decline since March 2020.

The US chip industry is pushing an alternative step that would expand the criteria for what's called the unverified list — a framework that requires firms to seek licenses to ship certain restricted technology. That move would subject companies like ASML and Tokyo Electron Ltd. to additional controls if they continue serving Chinese customers that the US has deemed a national security risk.

Previous US-led chip measures targeting ASML's exports to China have not hurt demand from the Asian nation. China has been the company's biggest market for four quarters in a row, and sales in the second quarter rose 21% from the previous period to €2.3 billion.

The sales consist of unrestricted older kit as Beijing pushes to make more mature types of semiconductors.

The Chinese government slammed the prospect of more severe US restrictions on ASML and Tokyo Electron's businesses. The US "politicized trade and the concept of national security," Chinese Foreign Ministry spokesman Lin Jian said Wednesday at a press briefing in Beijing.

"Relevant countries" should "firmly resist coercion and jointly uphold a fair and open international trade order to protect their own long-term interests," Lin said.

But there's growing pressure in the US for more action. In a bill that recently cleared the House Appropriations Committee, lawmakers directed the Bureau of Industry and Security to take up the unverified list idea.

"The committee is concerned by reports that foreign entities in allied nations continue to take advantage of US export controls and US efforts to counter malign acquisition of advanced technology," the proposal says.

Last quarter was ASML's first under the new Chief Executive Officer Christophe Fouquet, who took over when Peter Wennink retired in April. He has been trying to balance a US push to tighten export controls for China with the need to continue to sell gear in the company's biggest market.

US pressure to slow Beijing's advances in making semiconductors led the Netherlands to ban exports to China of ASML's second-most advanced category of machinery, immersion DUV lithography machines, at the start of the year.

ASML, which has never been allowed to sell its most-advanced extreme ultraviolet technology to China, has said as much as 15% of China sales this year will be affected by the rules imposed in January.

Meanwhile, rising prospects of Donald Trump's return to the White House may be another risk factor for ASML's sales to China. The former president sees Beijing as a grave threat to the US economy and security and has promised to hike tariffs on China across the board if reelected.



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