1. **China fights back on chip war**

China has launched a trade dispute at the World Trade Organization (WTO) against the United States over its chip export control measures as it prepares a $143bn (£116bn) support package for its semiconductor industry.

China has hit back against the sweeping rules passed by the US Department of Commerce in October, severely restricting the country’s access to advanced semiconductor technology. “China takes legal actions within the WTO framework as a necessary way to address our concerns and to defend our legitimate interests,” said China’s commerce ministry. He added that the US curbs “threatened the stability of the global industrial supply chains”.

The complaint is the first step in a WTO mediation process. The next step would usually see the case being put before the Appellate Body. However, that body has been recently suspended due to disagreements among member states, meaning China’s complaint is unlikely to create any legal effect.

“We have received a request for consultations from the PRC [People’s Republic of China] related to certain US actions affecting semiconductors,” said Adam Hodge, spokesperson for the US Trade Representative’s office. “As we have already communicated to the PRC, these targeted actions relate to national security, and the WTO is not the appropriate forum to discuss issues related to national security.”

The move is the latest development in a long-running technological dispute between Washington and Beijing, as US firms demand more government support to reduce reliance on components produced in Chinese factories.The commercial conflict recently escalated with the publication of a new set of export controls by US President Joe Biden which included a measure to cut China off from certain semiconductor chips made anywhere in the world with US equipment. The move was interpreted as an attempt to slow down Beijing’s technological and military advances.

The measures could hobble China’s chip manufacturing industry by forcing any companies that use US technology to cut off support for some of China’s leading factories and chip designers.In the midst of a global semiconductor shortage and strict restrictions regarding semiconductor imports, China is reportedly working on developing a $143bn (£116bn) support package to boost its domestic semiconductor industry, Reuters has reported in a recent exclusive.

Beijing’s plans would include rolling out one of its biggest fiscal incentive packages over five years, mainly as subsidies and tax credits to bolster semiconductor production and research activities at home, sources told Reuters.

Under the new initiative, Chinese semiconductor fabrication plants would be entitled to a 20 per cent subsidy on the cost of purchases of domestic chip equipment. The plan could be implemented as soon as the first quarter of next year.

The move comes just weeks after the first in-person meeting between President Biden and his Chinese counterpart Xi Jinping, and follows a landmark ruling in which a WTO panel backed Beijing against Washington.

Last week, the WTO ruled that the US was not justified in arguing the Trump administration’s 2018 tariffs – on steel and aluminium from China and other countries – were necessary to protect its national security.

Since the chip shortage began in 2020, the economic losses caused by the lack of semiconductors can be measured in billions of dollars. The short supply of semiconductors has forced companies including Ford, Jaguar Land Rover, Volkswagen, General Motors, Nissan, Daimler, BMW, Renault and Toyota to shut factories, scale back production or exclude high-end features such as integrated satellite navigation systems, which rely on sophisticated semiconductor technology.

The US has restricted China’s access to semiconductor technology since at least 2019 when the Trump administration banned Huawei from buying vital US technology. In August 2022, the US further prohibited the export of four technologies tied to semiconductor manufacturing, citing how they were “vital to national security” and signed a “historic” bill aimed at boosting the domestic production of semiconductors.

In October, E&T analysed the ramifications for the world’s largest chipmaker and many other leading semiconductor stocks as they suffered from the first major reaction to new restrictions on US exports to China.