

Huawei's rising laptop business is threatened because the US withdrew export licenses with Intel and Qualcomm

Huawei is under new pressure after the US withdrew the export license that allowed the Chinese telecommunications giant to buy chips from Intel and Qualcomm for use in laptops and smartphones.

The US government has revoked a special license that allowed Intel and Qualcomm to sell older generation semiconductors to Huawei for use in laptops and handheld devices, Reuters reported on May 8, citing anonymous sources.

The US Department of Commerce confirmed that several export licenses related to Huawei have been revoked.

Beijing called the move 'a typical act of economic coercion' and a violation of the US commitment to not separate from China. A spokesman for China's Ministry of Commerce said on May 8 that 'all necessary measures will be taken to protect the legitimate rights and interests of Chinese companies'.

Huawei did not immediately respond when asked by the SCMP site to comment on this issue.

According to SCMP's assessment of more than 12 Huawei laptop models launched since 2022, most are equipped with Intel Core processors, except for the Matebook E Go model running on Qualcomm's Snapdragon chip.

Huawei also produces personal computers (PCs) for government and enterprise customers, including the Qinyun L540 and L420 equipped with its in-house Kirin 9006C chip.

Matebook The reason is because the Core Ultra 9 inside the Matebook X is one of Intel's latest generation processors, containing an NPU (neural processing unit) that supports AI functions.

Republican lawmakers were upset to see the Matebook X equipped with Core Ultra 9 and said this suggested that the US Department of Commerce had given the green light for Intel to sell chips to Huawei.

'We have revoked a number of export licenses for Huawei,' the US Department of Commerce announced on May 8, refusing to specify which licenses were withdrawn.

This action by the US Department of Commerce comes after coordinated pressure from hard-liners against China on the Republican side in the US Congress, calling on the Biden administration to take stronger action to stop Huawei.

Republican Congressman Elise Stefanik said in a statement: 'This action will strengthen US national security, protect American innovation and reduce China's ability to develop technology'.

The US's license revocation could harm Huawei and the US suppliers that do business with this Chinese telecommunications giant.

Further restrictions on access to Intel and Qualcomm chips will pose a challenge to Huawei's PC business, which is gaining a foothold in the Chinese market.

According to data from market research company Canalys, Huawei's PC sales, including desktops and laptops, increased 11% to nearly 4 million units in 2023. Huawei ranked third in China with 10% PC market share, behind Lenovo Group with 38% and HP (also holding 10% but slightly better than Huawei).

Once China's largest smartphone supplier, Huawei has seen its lucrative phone business weaken after it was placed on a US trade blacklist in 2019 and tightened sanctions in 2019, 2020, leaving it unable to access advanced semiconductors developed or manufactured using American technology.

The privately held company headquartered in Shenzhen (China) is trying to diversify its revenue sources, including efforts to promote desktop computers and laptops that require less advanced chips than conventional smartphones.

Huawei has acquired such processors from American chipmakers with the approval of the US government, in addition to using stockpiled chips before sanctions took effect. According to a Reuters report in March, Intel sold millions of dollars worth of chips to Huawei based on licenses granted by the Trump administration.

Meanwhile, Qualcomm has been selling older 4G chips for Huawei handsets since receiving a license from US officials in 2020. In a regulatory filing earlier this month, Qualcomm said it did not expect to receive more chip revenue from Huawei after this year.

However, Qualcomm still licenses its 5G technology portfolio to Huawei. Last year, Huawei began using 5G chips designed by its HiSilicon unit, whose production process most analysts said violated US sanctions.

In a May filing, Qualcomm said its patent agreement with Huawei would expire early in fiscal 2025 and had begun negotiations to extend the agreement. Critics say such licenses have contributed to Huawei's resurgence.

Huawei has come under closer US scrutiny after surprising the world last year with the Mate 60 Pro, which used an advanced chip made in China. The 5G-enabled Kirin 9000s chip inside the Mate 60 Pro is manufactured by SMIC using a 7 nanometer process, despite US sanctions on both companies. SMIC is China's No. 1 chip manufacturer.

Impact on Intel's sales

Intel said its sales will be affected after the US revoked some chip export licenses to a customer in China. Intel did not disclose the name of this Chinese customer in its filings with the US Securities and Exchange Commission, but according to Reuters it is Huawei.

Intel shares fell 2.9% to 29.8 USD on the afternoon of May 8 (US time) after the company expected that Q2 2024 revenue would still be between 12.5 billion USD and 13.5 billion USD, but lower than analysts' estimates. Intel shares are down nearly 38% this year.

Qualcomm also said on May 8 that one of its export licenses for Huawei had been revoked. Qualcomm shares did not fluctuate much after this information.

"Huawei is a threat," US Commerce Secretary Gina Raimondo told Reuters after a Congressional hearing on May 8, and said the new move was not a change in policy.

"We're probably focusing more and more on AI. So as we learn more about the capabilities of AI then it's time to act. If a chip that we previously licensed, but now Now that it is discovered that there is AI capability, we will revoke the license," said Ms. Gina Raimondo.

China's Foreign Ministry said in a statement that it opposed the new move. "The US is abusing the concept of national security and abusing export controls to oppress Chinese companies without justifiable reasons," China's Ministry of Foreign Affairs stated.

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