

#46 Understanding China's Export Controls

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Key Takeaways

- Export controls have shifted from niche non-proliferation tools to central instruments of economic statecraft and great power competition.
- China has evolved from primarily a target of U.S. export controls to an increasingly assertive user of them.
- The 2020 Export Control Law marks a turning point, enabling China to integrate national security, economic coercion, and industrial policy.
- Export controls are accelerating technological decoupling and supply chain restructuring, especially in semiconductors and critical minerals.
- Europe faces growing exposure to strategic dependencies and geopolitical risk, requiring more proactive and coordinated responses.

Recommendations

- Enhance situational awareness: European governments should invest significantly in understanding complex supply chains, emerging technologies, and Chinese policymaking.
- Develop a realistic strategic roadmap: Policymakers must move beyond assumptions of frictionless globalization and define long-term strategic goals.
- Address strategic dependencies through risk management: Rather than attempting full decoupling, Europe should distinguish between acceptable and intolerable risks.
- Strengthen industrial policy: A coordinated industrial strategy should align economic competitiveness with resilience goals. This includes investing in critical sectors and improving coordination across governments and industry actors.
- Deepen diplomatic engagement with China: Clear and consistent communication is essential to avoid escalation and misinterpretation.
- Streamline EU export control and anti-coercion frameworks: Existing instruments should be better integrated by improving coordination between EU member states to enable faster and more effective responses.
- Engage closely with European businesses: Governments should support firms with compliance, information sharing, and risk adaptation. In turn, businesses could provide real-time intelligence on market and regulatory developments.

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Executive Summary

Over the past decade, export controls have undergone a profound transformation. Once primarily associated with arms control and non-proliferation, they have evolved into tools of economic statecraft used by major powers to secure technological advantage and geopolitical leverage. China's role has been pivotal: initially a target of export controls, it has developed its own sophisticated regime, culminating in the 2020 Export Control Law, which enables the use of export controls for national security, economic coercion, and industrial policy.

China's system reflects a broader shift in which economic interdependence is increasingly viewed as a vulnerability rather than purely a source of efficiency. By targeting critical technologies such as semiconductors, artificial intelligence, and rare earth materials, China seeks to strengthen its strategic position while mitigating external pressure. Chinese firms also contribute to this dynamic by adapting supply chains and supporting technological self-sufficiency.

These developments are reshaping global trade and technological ecosystems. The growing use of export controls by both China and the United States is accelerating fragmentation, intensifying competition, and undermining assumptions of open markets and technological neutrality. Europe, deeply embedded in global value chains, faces rising risks linked to strategic dependencies and geopolitical tensions.

In response, European governments must adopt a more strategic and coordinated approach. This includes enhancing situational awareness, developing realistic long-term strategies, and recognising the costs of resilience. Rather than pursuing full decoupling, policymakers should focus on managing dependencies, distinguishing between acceptable and unacceptable risks, and strengthening the capacity to respond to economic coercion.

A stronger industrial policy will be essential, aligning competitiveness with resilience in critical sectors such as energy, raw materials, and advanced technologies. At the same time, diplomatic engagement with China remains important to prevent escalation and maintain cooperation where possible. Clear communication of European measures can help reduce misunderstandings and manage tensions.

Finally, institutional reforms are needed to ensure that European export control and anti-coercion tools are effective and responsive. Improved coordination across EU and national levels, alongside closer engagement with businesses, will be critical in navigating this evolving landscape.