

GCC webinar: Global China Conversations #46

China's evolving approach to export controls and implications for international business

CMG discussion input to conversation moderated by Amelie Richter, China.Table

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“With China’s post-2020 export controls having advanced considerably along a trajectory of increasing sophistication, I expect future control actions to exhibit sharper precision and greater formal robustness. Moreover, they will be categorizable into one of the eight control types identified in our CMG Primer.

“To me, the most noteworthy development is that China’s export controls since 2020 have become geoeconomic in nature, with five export control actions activating global «chokepoints» using China’s advantage in critical minerals, while we also see early evidence of China-led decoupling focused on future tech emerging.

“China’s 2020 Export Control Law was designed, in part, as deterrent against the deployment of export controls against China by other states. As the US increasingly uses export controls as a type of economic sanction, motivated by great-power rivalry, it is likely that China will increasingly deploy export controls as a geoeconomic tool against the US and its strategic partners.

“Even though extremely disruptive for all affected international business, HQ strategy should see China’s new geoeconomic export controls since 2020 merely as a tactical element in China’s overarching playbook of responding strategically to “Trump 2.0” – plus, they were enacted primarily in a retaliatory and US deal-shaping logic.

Corporate profile

- ✓ CMG is an agile, service-minded and innovative **management consulting and research firm**
- ✓ CMG serves **international corporate, investment and public sectors** on China related questions
- ✓ It specializes in aiding **strategic decision-making** of governance, executive and functional bodies
- ✓ CMG combines three **core capabilities**: policy (domestic + trade conditionalities), business and strategy
- ✓ CMG operates with presences in **Zurich, Munich and Shanghai**

How we work

| | | | | |
|--|---|---|--|--|
| <p>«China inside-out»</p> <p>Cross-cultural team, extensive networks in China, “reality checked” China analysis and also accountable to the Chinese discourse</p> | <p>Inter-disciplinarity</p> <p>Business / strategy, public policy / political science, macro-economy, geopolitics / geoeconomics / trade</p> | <p>“Multipolar” analytically</p> <p>For geopolitical / geoeconomic analysis actively use, seek and iterate with expertise and views from different “poles”</p> | <p>Epistemological and dialectical values</p> <p>Original, fact-based and calibrated</p> <p>Dialectics seen as resource and a process principle</p> | <p>Professional services DNA</p> <p>Listening, ownership and co-creation as foundation to build trusted and tailored collaborations</p> |
|--|---|---|--|--|

Our value proposition – 6 service areas

| | | |
|---|---|---|
| 1 |  | <p>Consulting</p> <ul style="list-style-type: none"> • Strategy devising / review • HQ-subsidiary alignment |
| 2 |  | <p>Briefing</p> <ul style="list-style-type: none"> • Strategic business context • Market / competitive trends |
| 3 |  | <p>Sector/market/tech intelligence</p> <ul style="list-style-type: none"> • Value-chain, competitive and go-to-market • Tech, cluster and ecosystem analysis |
| 4 |  | <p>Partnering with Chinese firms</p> <ul style="list-style-type: none"> • Partner mapping and evaluation • Collaboration concepts |
| 5 |  | <p>Monitoring</p> <ul style="list-style-type: none"> • Policy / sector / market factors • Geopolitical / risk factors |
| 6 |  | <p>Learning & curation</p> <ul style="list-style-type: none"> • Learning conferences / fact-finding • Trainings, events and moderations |



Our Services



Consulting

Support your strategic decision-making, planning and actions



Briefing

Align your cross-functional views on China and surface questions



Intelligence

Surfacing sector, market, tech and ecosystem granularity that matters



Partnering

Helping your partnerships create synergies with Chinese business – anywhere



Monitoring

Track what is relevant to your strategy and operations



Learning & Curation

Design value-adding events and interactions related to China

China #InsideOut

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At a glance – CMG’s 17 major publications to date

Deep-dive analyses of key China policy and economic themes, events and developments relevant for international business



October 2022

Understanding process and key outcomes of China's 20th Party Congress



February 2023

Understanding the "Taiwan-issue" – context, influencing factors and outlook



March 2023

Chinese government remodelled at Two Sessions 2023 – policy, people and structure



May 2023

Understanding supply distortions of critical minerals powering the green energy transition



July 2023

EU-China relations – from economic integration to EU's strategic autonomy and 'de-risking'



September 2023

Sino-Swiss – from honing a "special relationship" to balancing new geopolitical complexities



January 2024

Understanding process and influencing factors of Taiwan's 2024 presidential election



March 2024

Two Sessions 2024 - Strengthening proactive and better coordinated economic policy



April 2024

European Chamber Report Launch
Navigating the Politics of Economic Security
20th March, 2024 | Beijing



April 2024

China's risk management – 'Coordinate development and security'



July 2024

Xi's third 'Third Plenum' pivots to implementation, doubling down on China's industrial ambition



December 2024

Caixin Summit 2024 - CMG's analytical digest: slide deck and read-out webinar recording



January 2025

Understanding China's economy into 2025: Publication & read-out webinar



March 2025

2025 "Two Sessions" - implementing reforms as follow-through from the "Third Plenum" in the face of insufficient domestic demand and Trump 2.0



April 2025

CMG's external evaluation of the Swiss government's China Strategy (March 2021), mandated by the Swiss MFA



November 2025

"Fourth Plenum": towards more assertively shaping strategic conditions externally to better focus on "Chinese-style modernization" internally



December 2025

Latest

New CMG Primer, analyzing China's evolving approach to export controls

Agenda

- 1 Understanding China's evolving approach to export controls**
- 2 Calibration and key take-aways for international business**

Agenda

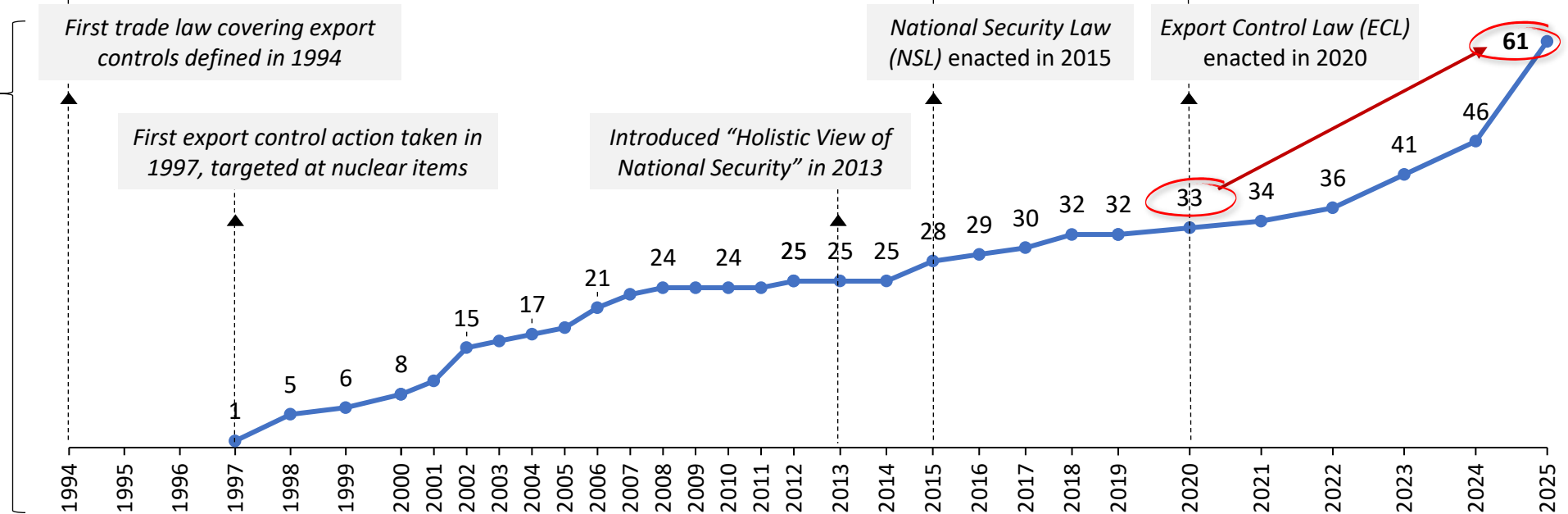
- 1 Understanding China's evolving approach to export controls**
- 2 Calibration and key take-aways for international business

China's approach to export controls underwent 3 stages, focus on geoeconomic capacity and power since 2020

China's policy rationale for export control governance – by stages

- Export controls aimed at participating in and supporting a global security architecture* jointly led by the major powers**
- Governance incorporates more own security interests**
- Build geoeconomic capacity and power – amid geopolitics**

Aggregate number of China's individual formal export control actions along its key export control governance stages (after 1994); export control action defined as single, coherent policy action with a specific context and intent(s)



| China context factors | 1994-2012 | 2013-2019 | Post 2020 |
|------------------------------------|---|---|--|
| China's development strategy | • "World factory", based on "opening up and reform" policy | • "High-Quality Development" | • "Dual Circulation" |
| China's geoeconomic logic / intent | • Low – focus on integrating into world trade system, initial external risk perceptions after the "GFC" (2007/2008) | • Moderate – "holistic national security system" (2014) defined | • High – "de-risking" becomes a top-level policy dimension, esp. in response to US' "trade war" launched against China in 2018 |

*Note: China is subject to international obligations defined by a set of international treaties, including but not limited to NPT, CWC, BWC, CTBT, UNSCRs, MTCR, NSG, Wassenaar Arrangement









China's use of formal export controls almost doubled from 33 to 61 between 2020 and 2025, after instituting 'ECL' as legal basis in 2020

Recap: “de-risking” as new top-level policy dimension, part of 14th FYP “strategic shift” in development strategy

Six policy dimensions of “Dual Circulation”...

... manifested shift per dimension

| Six policy dimensions of “Dual Circulation”... | | | ... manifested shift per dimension |
|--|---|---|---|
|  | Social “rebalancing” | <ul style="list-style-type: none"> • “Common prosperity” • Social fairness and social protection • Balanced regional and urban-rural development | <i>Elevate social policy to the level of economic policy</i> |
|  | Domestic demand system (内需体系) | <ul style="list-style-type: none"> • Expand domestic consumption • Build unified national market • Increase efficiency and return of public investment | <i>Make household consumption core driver of economic growth</i> |
|  | “De-risking” (统筹发展与安全) | <ul style="list-style-type: none"> • Protect 17 key security needs (e.g. food security) • Increase resilience of governance and economy • Build towards more technological “self-reliance” | <i>Manage development-security trade-offs and build geoeconomic power</i> |
|  | Industrial upgrading | <ul style="list-style-type: none"> • Enhance indigenous innovation • SSSR*, modernized and complete industrial system • Unleash growth potential of service sector | <i>Improve function/role of government</i> (政府起到的作用) |
|  | Market-oriented reforms | <ul style="list-style-type: none"> • SOE reform to sharpen SOE competitiveness • Unleash the potential of all types of market entities • Market governance progression | <i>Add focus on market governance</i> (“visible hand”) |
|  | High-level opening-up | <ul style="list-style-type: none"> • Broaden opening-up in more sectors • Facilitate Chinese ODFI and more trade integration • More active participation in global governance | <i>Continue open-up “unilaterally” and “autonomously” (自主)</i> |

New policy dimension

Merely new policy emphasis

Elevating “de-risking” newly to a top-level policy dimension serves to build China’s broader geoeconomic capacity and power

China's 'de-risking' with 6 measure types, retaliatory capacity provides for geoeconomic control points and tools

| | 1 | 2 | 3 | 4 | 5 | 6 |
|---|--|---|---|--|---|--|
| | Self-reliance (自立自强/自主可控) | Key/core tech breakthroughs (突破/攻关) | Securing external supply (海外供应安全可靠) | 'Trump cards' (杀手锏) | Sectoral governance (bio/cyber) | Retaliatory capacity |
| Managed "risk" (as seen by China) | China's import dependencies | China's tech bottlenecks | China's import dependencies | Western tech decoupling | Weaponization or abuse of sensitive tech | Western tech decoupling and politicization |
| Risk-management approach | Onshoring | Indigenization | Import diversification and OFDI | Foreign dependencies on China | Market governance | Geoeconomic control points and tools |
| Operational scope | Critical industrial inputs | Tech | Resources (energy, food, critical minerals) | Tech (mature vs. emerging strategic tech) | Tech | Trade flows, corporate entities and individuals |
| Key measures | <ul style="list-style-type: none"> Supply chain ecosystem pilots "Supply chain leader" 'Hidden champions' Storage capacity | <ul style="list-style-type: none"> 'New system for mobilizing resources nationwide', e.g. special R&D projects or R&D value-chain coordination | <ul style="list-style-type: none"> International supply chain cooperation, e.g. via BRI SOE-led OFDI e.g. for critical minerals Trade policy | <ul style="list-style-type: none"> Mature: new energy, HSR, communication / electrical equipment Emerging: quantum, AI and gene tech | <ul style="list-style-type: none"> Regulating data and esp. cross-border data transfer Restricting FIEs in some sensitive areas | <ul style="list-style-type: none"> Export Control Law Anti-Foreign Sanctions Law Foreign Relations Law Anti-Espionage Law |

Control design: since 2024 three new controls dimensions are used, beyond control on 'content' and 'end-use'

Evolution of China's use of five export control dimensions

| Control dimension | What is being controlled? | General practice to date |
|--------------------------------------|--|--|
| Control on content | Intrinsic characteristics of item: technical specifications, performance parameters, composition, etc. | <ul style="list-style-type: none"> Applied in all 61 of China's control actions to date, thus foundation of China's export control governance, upon which all four other control dimensions are layered |
| Control on end-use | Intended application of item, regardless of content | <ul style="list-style-type: none"> Applied in 43 out of 61 of China's control actions; not applied in control actions designated as serving 'economic security' |
| Control on territory | Specific destination country or region | <ul style="list-style-type: none"> Appeared only once historically—Export controls on dual-use items to US as retaliation to US targeting Chinese semiconductor sector in Dec 2024 |
| Control on entity | Specific foreign organizations, companies, or individuals | <ul style="list-style-type: none"> First appeared in Jan 2025, targeting US and Taiwan under formal justification of safeguarding national security and interests |
| Control on re-export overseas | Transfer, re-export, or overseas movement of controlled items after re-exported from third-countries | <ul style="list-style-type: none"> Most recently introduced dimension in October 2025, covering Chinese-origin rare earth items and technologies, as retaliation to US Affiliates Rule |

Core dimensions of control regime
New dimensions that appeared in 2024 and 2025

Deep-dive: 7 actions featuring 3 new control dimensions in 2024/2025

| Export control action | Description, highlighting use of new control dimension |
|-----------------------|--|
| 2024 (46) | <ul style="list-style-type: none"> Bans dual-use items exports to <u>US</u> or for military purposes Principally prohibits Ga, Ge, Sb, superhard material exports to <u>US</u> Stricter end-use/end-user review for graphite export |
| 2025 (1) | <ul style="list-style-type: none"> Prohibits dual-use items exports to listed 28 <u>US entities</u> in defense (aerospace, missiles, electronics) sectors Retaliation to US arms sales to Taiwan |
| 2025 (21) | <ul style="list-style-type: none"> Prohibits dual-use items exports to listed 16 <u>US entities</u> in defense (aerospace, cyber, AI) sectors Retaliation to US "Liberation Day" tariffs on Apr 2 |
| 2025 (22) | <ul style="list-style-type: none"> Prohibits dual-use items exports to listed 12 <u>US entities</u> in defense (aerospace, photonics) and advanced tech sectors Retaliation to further US "Liberation Day" tariffs on Apr 8 |
| 2025 (35) | <ul style="list-style-type: none"> Prohibits dual-use items exports to listed 8 Taiwanese <u>entities</u> in defense (aerospace, shipbuilding) sectors Retaliation to Lai's independence speech and Hanguang exercise |
| 2025 (51) | <ul style="list-style-type: none"> Prohibits dual-use items exports to listed 3 <u>US entities</u> in defense (shipbuilding) and non-defense (support services) sector Retaliation to US arms sales to Taiwan |
| 2025 (61) | <ul style="list-style-type: none"> <u>Overseas organization or individuals</u> must obtain dual-use export license if foreign-made items contain listed Chinese-origin components (> 0.1% of value) or Chinese-origin REE tech |

Note: 2025 (XXX) refers to Announcement XXX of 2025



Additional use of territory, entity and re-export control dimensions means that Chinese export control practice can target more precisely

Typology: 8 types discerned amid China's export control practice, 4 new geoeconomic control types since 2020...

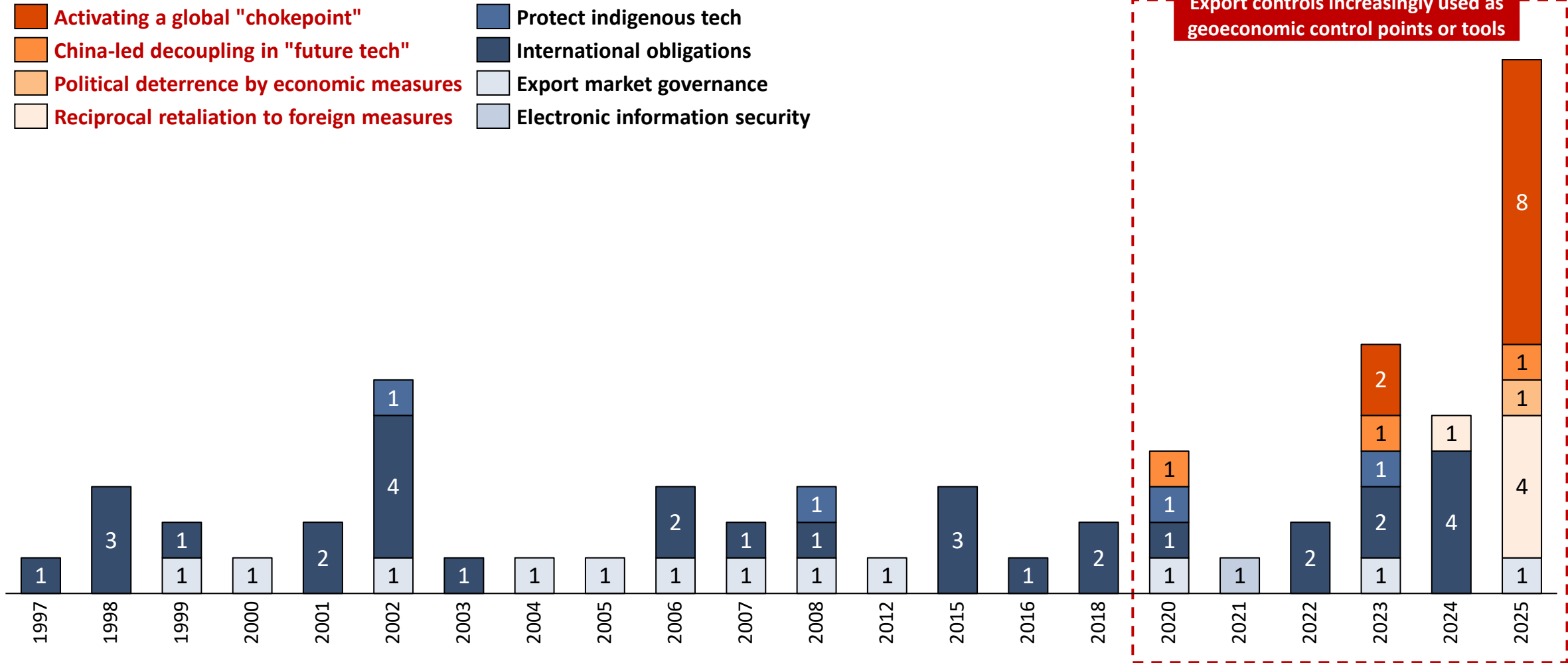
| Export control type | Example / (highest) frequency* | Checklist*: assess control actions along 4 criteria to determine <i>export control type</i> | | | |
|---|---|--|--|--|--|
| | | Formal control purpose | Control design | Industrial policy logic | Political correlation |
| 1 Activating a global "chokepoint" <i>Deep-dive</i> | <ul style="list-style-type: none"> REE export control in Oct 2025, triggered by expansion of US export control in Sep 10/61 | <ul style="list-style-type: none"> National security Economic security | <ul style="list-style-type: none"> Generic control that impacts all trade partners | <ul style="list-style-type: none"> Mature industrial or protracted industrial policy priorities | <ul style="list-style-type: none"> Triggered by foreign political, trade or economic measure(s) |
| 2 China-led decoupling in "future tech" | <ul style="list-style-type: none"> Gene engineering tech included in 2020 list for tech export restriction 3/61 | <ul style="list-style-type: none"> n/a | <ul style="list-style-type: none"> Tech control: <i>Tech Export Restriction & Ban Catalogue</i> | <ul style="list-style-type: none"> Identified as "future industries" in "NQPF" classification | <ul style="list-style-type: none"> n/a |
| 3 Political deterrence by economic measures | <ul style="list-style-type: none"> Export control to TW entities in Jul 2025, as response to Lai's independence speech 1/61 | <ul style="list-style-type: none"> National security | <ul style="list-style-type: none"> Targeting specific entities or territory only | <ul style="list-style-type: none"> n/a | <ul style="list-style-type: none"> Asymmetric – "punish" political action(s) of a foreign country |
| 4 Trade retaliation to foreign measures | <ul style="list-style-type: none"> Export control to US entities in Jan 2025, as retaliation to US sanction on CN entities 5/61 | <ul style="list-style-type: none"> n/a | <ul style="list-style-type: none"> Targeting specific entities or territory only | <ul style="list-style-type: none"> n/a | <ul style="list-style-type: none"> Symmetric – respond to foreign trade or economic measure(s) |
| 5 Protect indigenous tech | <ul style="list-style-type: none"> Traditional Chinese Medicine included as tech in 2002 list for tech export ban 5/61 | <ul style="list-style-type: none"> Protect competitiveness of China's leading tech | <ul style="list-style-type: none"> Tech control: <i>Tech Export Restriction & Ban Catalogue</i> | <ul style="list-style-type: none"> n/a | <ul style="list-style-type: none"> n/a |
| 6 International obligations | <ul style="list-style-type: none"> Export control on nuclear dual-use items and related tech in 1998 32/61 | <ul style="list-style-type: none"> International obligations | <ul style="list-style-type: none"> Targeting officially defined dual-use + military-use items | <ul style="list-style-type: none"> n/a | <ul style="list-style-type: none"> n/a |
| 7 Export market governance | <ul style="list-style-type: none"> Export restriction on electric passenger vehicles in Sep 2025 for market governance 12/61 | <ul style="list-style-type: none"> Export governance Maintain export "orderliness" | <ul style="list-style-type: none"> n/a | <ul style="list-style-type: none"> n/a | <ul style="list-style-type: none"> n/a |
| 8 Electronic information security | <ul style="list-style-type: none"> Export control on commercial cryptography in Dec 2021 1/61 | <ul style="list-style-type: none"> n/a | <ul style="list-style-type: none"> Only targeting cryptography export | <ul style="list-style-type: none"> n/a | <ul style="list-style-type: none"> n/a |



Note: Checklist* = each export control action is attributed to one or more export control types considering 862 controlled items assessed against 4-criteria of checklist; frequency* = how many times each export control type is identified amid 61 actions since 1997, one action can combine multiple types; delaying REE shipments to Japan in 2010 was not formally implemented as export controls; Three thorough examples of "China-led decoupling" = (1) gene-engineering (基因工程), (2) cell cloning and gene editing (细胞克隆和基因编辑), (3) battery cathode material making (电池正极材料制备); Ten actions taken as "chokepoint" = MOFCOM 2023 Announcement—No.23 (Ga, Ge), No. 39 (graphite), and MOFCOM 2025 Announcement—No.10 (W, Te, Bi, Mo, In), No.18 (REEs), No.55 (superhard material), No.58 (lithium batteries and artificial graphite materials), No.56/57/61/62 (REEs, relevant equipment and tech)

... which can also be seen in how these 8 types amid China's export control practice have evolved over time

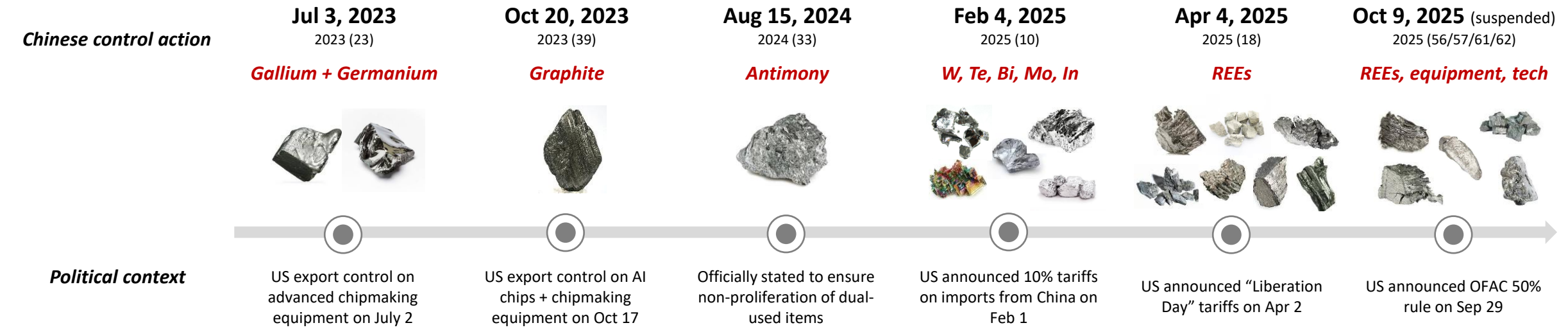
Yearly distribution of frequency* of 8 export controls actions classified by type – amid total of 61 export control actions since 1997



New use of export control as geoeconomic control points or tools is inherent to 14th FYP's goal of building geoeconomic capacity / power



6 control actions on critical minerals (战略性关键矿产) after July 2023 – 5 are activating “global chokepoints” ...

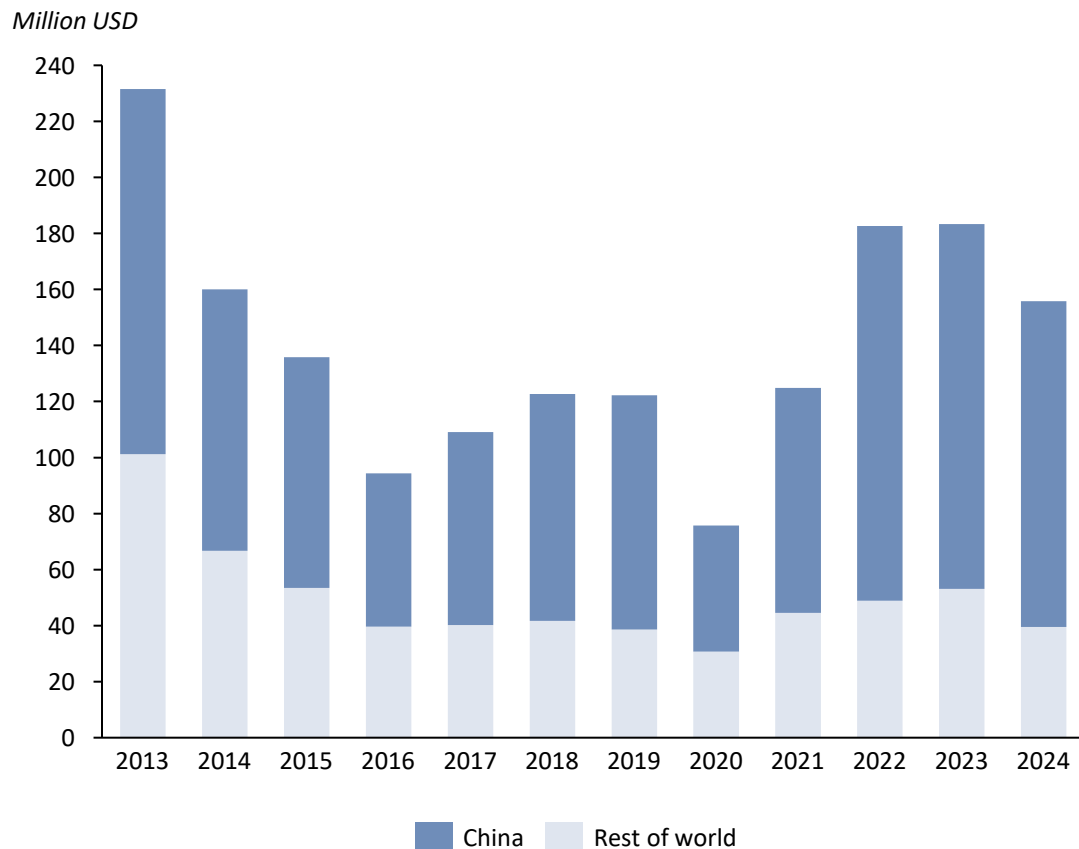


| Control type assessment | | Activating a “global choke-point” | Activating a “global choke-point” | International obligations | Activating a “global choke-point” | Activating a “global choke-point” | Activating a “global choke-point” |
|-----------------------------|---|---|-----------------------------------|---|---|---|---|
| | Formal control purpose | National security | National security | Non-proliferation | National security | National security | National security |
| | China’s industrial policy logic | Industrial policy priorities (advanced metal materials) | Matured industrial capabilities | Industrial policy priorities (advanced metal materials) | Industrial policy priorities (advanced metal materials) | Industrial policy priorities (advanced REE materials) | Industrial policy priorities (advanced REE materials) |
| | Triggered by US actions | ✓ | ✓ | ✗ | ✓ | ✓ | ✓ |
| Impacted all trade partners | ✓ | ✓ | ✗ | ✓ | ✓ | ✓ | |
| Control design | End-use/user clarification needed | ✓ | ✓ | ✗ | ✓ | ✓ | ✓ |
| | License required for all exports | ✓ | ✓ | ✗ | ✓ | ✓ | ✓ |
| | License required for re-export overseas | ✗ | ✗ | ✗ | ✗ | ✗ | ✓ |
| | Types of controlled items | Raw materials | Raw materials | Raw materials, materials, tech, equipment | Raw materials, materials, tech | Raw materials, materials | Raw materials, materials, tech, equipment |

Chinese export controls on REEs translated into leverage during trade dispute and deal exploration with US

US dependence on China: US' REE sourcing as proxy

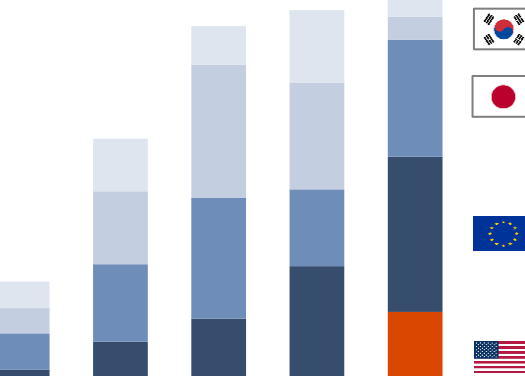
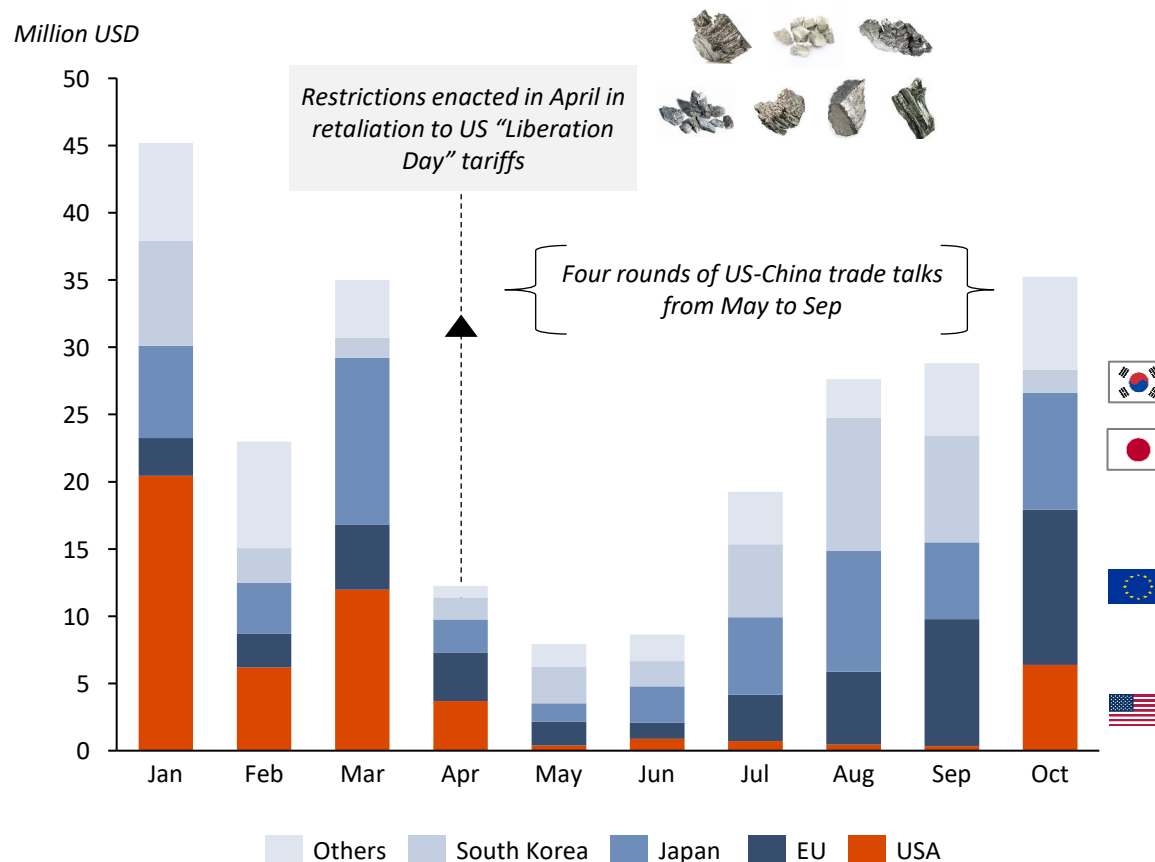
US REE imports: China vs rest of world, 2013-2024



Source: UN Comtrade
Proxies: 6-digit HS code --- 280530, 284690

REE exports to US almost entirely collapsed due to licensing regime

China REE exports by country/region, Jan-Oct 2025



Source: GAC
Proxies: 8-digit HS codes --- 280530(xx), 284690(xx)

Agenda

- 1 Understanding China's evolving approach to export controls
- 2 Calibration and key take-aways for international business**

Big picture: China wants to shape towards multipolarity and unabating, China-backed economic globalization

China's strategic goal for international political order: ensuring multipolarity

1

Strengthening China-led cooperation

- **Non-Western/regional governance formats:** SCO, BRICS+, ASEAN-GCC, «community of shared future with neighboring countries», RCEP-led trade integration in Asia-Pacific
- **“Global South”:** support “collective self-reliance”
- **Belt-and-Road:** multi-dimensional connectivity

2

Projecting China as “constructive force”

- **WTO:** relinquishing ‘developing country’ status to signal commitment to global trade rules
- **«NQPF»:** sharing access to emerging/future tech with developing countries
- **Sense of responsibility:** China halting trade escalation with US, declaring 120% tariffs as ceiling

3

China shaping global governance

- **Global cooperation:** GDI (development delivery), GSI (security cooperation), GCI (civilizational dialogue), and GGI (governance reform)
- **New IOs:** International Organization for Mediation (IOMED) to promote peaceful conflict resolution; proposal to set up China-UN Global South-South Development Support Mechanism

China's strategic goal for international economic order: ensuring unabating, China-backed economic globalization

4

Deepening integration with world economy

- **High-standard international economic rules:** «Proactively align» («Third Plenum», July 2024), ongoing WTO compliance audit, CPTPP application
- **2-way opening-up:** ‘autonomous’ market access, unilateral tariff / FDI cancellations, simplified OFDI approvals, «holistic overseas support»
- **Domestic level playing field:** equal treatment and lawful business environment

5

Building structural geoeconomic power

- **WTO reforms:** reform for better compatibility with China's economic model
- **FTAs/RTAs:** expand China-centered trade networks
- **Standard setting:** shape standards of «future tech»
- **Internationalizing RMB:** in transactions and as reserve currency, reducing «USD hegemony»
- **CIPS:** building non-SWIFT payment infrastructure

6

Building geoeconomic control points/tools

- **Export controls:** evolve export control practice to include geoeconomic control points and tools
- **In- / outbound FDI screening:** protect critical infrastructure and national security domestically and control on strategic capital outflow
- **Sanctions:** deter coercion + retaliatory capacity
- **Cross-border data:** control ‘important’ and ‘personal’ data outflows for digital sovereignty

Proposed key take-aways for international business

Summary of China's evolved approach to export controls


- China's ability to impose real costs by activating global "chokepoints" has exposed limits in Washington's China-policy toolkit
 - Decisively shaping deal exploration dynamics (cf. Busan)
 - Having proven effective, export controls likely to see more routine use to defend core interests, especially Taiwan-related red lines
- US recognition that China cannot be coerced or decisively defeated means both sides are more likely to lean on "lower-escalation geoeconomic tools"
 - Rather than direct military confrontation in foreseeable future

Strategic implications for international business


- "New export control reality"
 - Licensing regimes will steadily expand to more technologies
 - Chinese retaliatory actions likely to be sudden – yet temporary and selective
 - This volatility means that "de-risking" may not always be feasible
- Business strategy implications
 - Factor in export control conditionalities and mitigating actions as risk and costs, while working hard to make strategically sound long-term decisions
 - Invest in getting the big picture" about China right
- Operational success factors
 - "De-risking"
 - Supply chain analytics
 - Sourcing diversification / dual sourcing
 - Inventory
 - Scrutiny on agency of trade intermediaries
 - Licensing application and compliance
 - Pursue full compliance in export applications
 - Mobilize advocacy, diplomatic and government resources to back up licensing application

We are practitioners – follow us, work with us

Monitoring, using CMG typology



Jack Lee • You
Analyst at China Macro Group (CMG)
4w • Edited •



As part of our ongoing tracking of China's export control actions at [China Macro Group \(CMG\) – Your China Consultancy](#), the analysis below refers to Announcement No.1 issued yesterday on January 6, 2026, by China's Ministry of Commerce (MOFCOM) imposing export controls on items considered dual-use to Japan, effective immediately.

Analysis:

- ◆ Formal justification: **national security** and non-proliferation
- ◆ Controlled scope: all dual-use items
- ◆ Control design: **country-specific**, explicitly focused on **Japan**
- ◆ Political correlation: **Japanese PM Sanae Takaichi's remarks** on November 7, 2025, describing a potential Chinese blockade of Taiwan as a "survival-threatening situation" for Japan, allowing it to respond militarily.

As per CMG's export control typology (cf. link in comment to our related [CMG Primer](#)), we categorize this control action as a type of **political deterrence by economic measures**.

This control action – in our view – is only the **second case** of this export-control type, following Announcement No. 35 (2025), when Taiwanese firms were added to China's Export Control List after Lai Ching-te's independence speech and the Hanguang military exercises in early July 2025.

Moreover, we see this control action in line with the trend that China's post-2020 export controls are no longer blunt instruments focused on **'content'** and **'end-use'**—the traditional foundation of China's export control regime – but **more targeted** (in this case, **'territorially'** specific, only the second time ever), and **geoeconomic** in character.

Client support reference

US and EU Licensing Regimes Flowchart (to assess CLIENT's opportunity)

Decision/Scenario Path, providing a strategic assessment of potential next steps

| Scenario | Assessment |
|---|---|
| If no licensing required | Components can be sourced by US from US/China/Third Parties |
| If licensing required (with no prohibition of dual-use) | No through licensing process |

Summary of our observations on current draft SOP / methodology, plus CMG refinements

| Observations on current draft SOP / methodology | CMG refinements – in per this analysis |
|---|---|
| <ul style="list-style-type: none">1. Classification system: The draft identified parties, and use, and product classification but fails to provide a method for verifying whether multiple regulatory authorities and countries fall. The comprehensive cross-cutting process is defined.2. Management with licensing scope: The assessment framework should align with the scope of US and EU licensing regimes, which do not account for operational impacts. This framework should reference to export control and sanctions compliance – such as end-use, end-user, and destination – should be considered.3. Regulatory based evaluation: End-use assessments are qualitative and narrative rather than quantitative. The SOP sets clear criteria or thresholds for when companies should engage in an assessment for the decision.4. Methodological gaps: Current regulatory references are incomplete for instance, the inclusion of the draft Section 1206B for a coordination for other decisions, despite its limited relevance to US export licensing obligations.5. Assessment and decision outcomes: The current internal analysis primarily focuses on national security in identifying the business activities, while license status – such as a strategic license and license process – has not been considered yet. | <ul style="list-style-type: none">• Identified use case: Research design for• Provide high-impact factors (e.g., end-use and user, destination and end-user, license status) to the draft SOP• Apply a regulatory hierarchy, assess in descending order of legal consequences, including prohibition-based license and registration in licensing regimes• Provide a clear, risk-based threshold for end-use assessment and licensing obligations• CMG implementation in this project• Embed these opportunities into CLIENT's scope, end-user, and end-use• Conducted extensive consulting across all relevant regulatory authorities• Using a one-stop decision path to assess each opportunity |



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