

## **Alert** | Export Controls & Economic Sanctions



February 2026

### **China Imposes Escalated Export Controls on Dual-Use Items to Japan**

On Jan. 6, 2026, the Ministry of Commerce of the People’s Republic of China (MOFCOM) issued Announcement No. 1 [2026], introducing export controls on “Dual-Use Items” destined for Japan. Effective immediately, the measures prohibit the export of materials and technologies where the end-use or end-user is determined to enhance Japan’s military capabilities. This move follows heightened geopolitical tensions and may impact Japan’s automotive, semiconductor, and defense sectors.

#### **Legal Framework and Authority**

The new restrictions are not isolated measures but are anchored in a legal triad designed to project China’s regulatory reach extraterritorially:

- **Export Control Law (ECL) [2020]:** The primary authority allowing the state to **restrict or prohibit exports** for national security and “national interests.”
- **Regulations on the Export Control of Dual-Use Items [2024]:** Provides the **administrative framework** for licensing and enforcement.
- **Anti-Foreign Sanctions Law:** Used as a **retaliatory legal basis** against what Beijing perceives as discriminatory measures by foreign states.

### Scope of the New Prohibitions

Unlike previous item-specific restrictions (e.g., gallium or graphite), the 2026 measures apply a broader “End-Use/End-User” standard. Exports are strictly prohibited to:

1. **Japanese Military End-Users:** Any entity associated with Japan’s Ministry of Defense or Self-Defense Forces.
2. **Military End-Uses:** Items used in developing or producing military equipment.
3. **Enhancement of Military Capability:** A catch-all provision that allows MOFCOM to block exports to civilian companies if the items might be repurposed for defense.

### Key Affected Sectors and Items

- **Advanced Minerals:** Including tungsten, molybdenum, and specific rare earth magnets (samarium-cobalt, NdFeB).
- **Electronics and Sensors:** High-precision telemetry, sensors, and lasers critical for both consumer electronics and guided systems.
- **Aerospace and Maritime:** Carbon fibers, specialized alloys, and advanced maritime engineering software.

### Extraterritoriality and Third-Party Liability

Article 44 of the ECL and the 2026 Announcement provide that third-party entities (including Japanese subsidiaries in Southeast Asia or Europe) will be held legally liable if they facilitate the transfer of China-origin dual-use items to Japan in violation of these rules. Non-compliance may result in:

- Inclusion on the Unreliable Entity List;
- Fines up to 10 times the illegal turnover or RMB 5,000,000; or
- Criminal prosecution for “smuggling” under the PRC Criminal Law.

### Strategic Considerations

- **Immediate Supply Chain Mapping:** Companies may wish to conduct a “deep audit” of their bill of materials (BOM) and identify every component of Chinese origin, particularly those classified under the 2026 Catalogue of Dual-Use Items and Technologies.
- **Enhanced Due Diligence:** MOFCOM has signaled increased scrutiny of End-User Certificates. Japanese importers should ensure their documentation clearly delineates “Purely Civilian Use” and provides verifiable audit trails.
- **“De-China” Sourcing (China-Plus-One):** For critical materials like rare earths and tungsten, companies may wish to begin accelerating alternative sourcing strategies. The 2026 Export Control Law (Article 9) suggests that these restrictions may remain “temporary” for up to two years, but might be converted into permanent bans.
- **Review of Re-Export Protocols:** Evaluate whether global subsidiaries are inadvertently “re-exporting” Chinese technology to Japan, as this is a high-risk area for enforcement under the ECL’s extraterritorial provisions.

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