



In January 2023, the United States and two of its closest allies, the Netherlands and Japan, concluded a ground-breaking agreement but took pains not to draw attention to it, or even

To steer a course according to its own interests in this new era of strategic trade controls, the EU must urgently develop its own strategic trade control policy.

likely to be the first among many such examples, as China and the US each enhances its



leadership, and advancing US foreign policy objectives, including the protection of human rights and the promotion of democracy.

The ECRA was written with China and its challenges to economic security in mind. With the

during the cold war). These efforts rarely succeeded. But since Washington targeted Chinese national champions Huawei and ZTE in 2018, Chinese leader Xi Jinping reinvigorated this national security drive for technological self-reliance. Only by grasping key core technologies in our own hands can we fundamentally guarantee national economic security, national d ion col ion in fun

magnets, solar photovoltaic equipment, gene editing technology, computers, and automatic driving software. China's policies to increase its influence over the manufacturing of legacy





European companies. It does so in a variety of ways. It employs open-market mechanisms such as free trade and direct investments legal mechanisms such as rules that make

than one source that will bend the global economy beyond recognition.

The EU's challenge is this: with national security returning as a powerful variable of economic strategy in other powers' capitals, the bloc's ability to deploy its economic leverage is shrinking. This was evidenced most recently in its relations with the US. Because the IRA forms part of a wider national security-driven China strategy, Washington acted without seriously consulting European allies, offering only ex-post coordination some relief through ex-post coordination. It is apparent that the EU's deep and growing security dependence on the US, as exposed with American leadership on the Ukraine war, and its fragmented security positions with respect to China, have hastened the erosion of its economic bargaining power.

While many EU member states share the United States' concerns regarding the security threat posed by China, there is neither full alignment vis-à-vis China between the EU and the US nor between all EU member states. In fact, the EU has not formally adopted the maintenance of military superiority and technological leadership over China as objectives of its security or China policies. Indeed, the EU has no common security policy or China policy and, unlike the US, it has not clearly defined the role strategic commercial technologies and the trade thereof play in European security. As a result, the EU is yet to decide how European export control policy can contribute to advancing its security policy objectives in face of the rise of China, trade weaponisation, and new technologies.

In a seminal speech on EU-China relations, European Commission president Ursula von der Leyen this year identified these shortcomings when she urged a reassessment of European security interests for exports and investments in China where dual-use purposes cannot be excluded. She then identified that the



hope to save the open trade order if it continues to lack a security underpinning. They must

## The drawbacks of Wassenaar and current EU export control policy

For these reasons, the EU used its sanctions regime to implement export restrictions on advanced technologies against Russia, rather than through its export control regulation. This is also why export controls on technologies not listed in the WA and not unequivocally falling within the traditional dual-use scope targeted at China would not only require a change in the EU's China policy but would also mean a significant change in EU export control policy. In this and other regards, the EU's export control policy is no longer adequate to deal with today's challenges, for several reasons.

Firstly, as highlighted

for the EU.

## The risks of going it alone

The Dutch decision was apparently made in consultation with the European Commission and

intra-European trade and the EU's internal market.

Furthermore, a broadened understanding of national security and the corresponding expansion of export controls by a single member state tests international trade rules and thereby significantly affects the EU's overall stance towards multilateralism. For example, the decision by the Dutch to strengthen export controls on DUV machines for reasons of national security could



economic security strategy.

agencies. It could, for example, commit member states to develop: national economic intelligence offices, which would be tasked with preventing security-relevant and illegal

export restrictions that can under Article 10 of the dual-use regulation then also be adopted by other member states.

As noted, however, the probability, therefore, that there are fewer explanations than in the unclassified case.

Option C: Augment the current framework







dysfunctional multilateral organisations, such as the multi-party interim appeal arrangement at the WTO. The EU should therefore work towards establishing a Wassenaar interim arrangement (WIA) whereby all WA members willing to work together discuss and add additional technologies to a common WIA control list in a coordinated way. The WIA list would simply supplement the WA list with new technologies that require multilateral controls. Adopting this approach would circumvent Russia's blockades in the regular WA



security alliances must therefore be to coordinate with partners proactively to ensure these risks do not materialise or can be addressed together. This will require not only closer alignment of export control standards with economic security allies, but also the development



## ABOUT ECFR