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China hits Europe's defence industry in response to the EU's 21st sanctions package against Russia

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On 24 July, China's Ministry of Commerce (MOFCOM) added 14 EU entities to its export control list, effectively imposing sanctions by prohibiting the supply of dual-use goods. Two of the listed entities are from Poland: Wrocław University of Science and Technology and Vigo Photonics. The list also includes companies from Germany (including Rheinmetall AG), the Czech Republic (Tatra Trucks), Italy, France, Lithuania, the Netherlands and Bulgaria. All operate in sectors considered critical to national security, including the defence and drone industries, as well as photonics, semiconductors, lasers and maritime technologies. Under the measure, Chinese companies, as well as foreign firms using Chinese components, must immediately suspend deliveries of dual-use goods to the listed entities and cease all transactions involving such products.

China's move is a direct response to the EU's 21st sanctions package against Russia, adopted the previous day, which imposed restrictions on 14 companies from China and Hong Kong for supporting Russia's war effort. In explaining its decision, Beijing explicitly cited the EU's sanctions. As in previous cases, it also invoked national security, China's interests and international non-proliferation obligations. The move signals Beijing's willingness to continue supporting Moscow while raising the costs for the EU of putting pressure on China over the issue. It also reflects China's growing assertiveness towards the EU. Beijing is seeking to demonstrate resolve ahead of the European Commission's planned adoption this autumn of new measures targeting China to protect the single market.

Commentary

- **China's response to the EU's 21st sanctions package against Russia is unprecedented in its speed and intensity.** MOFCOM added 14 EU entities to its export control list just one day after the EU imposed sanctions on 14 companies from China and Hong Kong. The move was designed to demonstrate Beijing's readiness to respond quickly and in kind to measures taken by Brussels (see '*The EU's twenty-first sanctions package against Russia: national interests dilute the measures*'). In the past, China's responses to EU sanctions packages were far more limited. Beijing restricted its measures to the banking sector by imposing restrictions on two Lithuanian banks, or targeted selected companies, citing their involvement in arms sales to Taiwan rather than the EU's actions. At the same time, Chinese diplomats informally assured EU counterparts that Beijing would ensure Chinese companies violating EU sanctions on Russia ended such practices. These assurances, however, were tactical in nature and did not result in a lasting reduction in those companies' cooperation with Russia.

- **Beijing's response is part of a broader set of Chinese measures that could hamper the modernisation of NATO members' armed forces.** The selection of the 14 entities targeted by the restrictions suggests they were deliberately chosen because of their strategic importance to Europe's defence industry and its supply chains. Since 2025, China has also restricted exports of rare earth elements and permanent magnets, which are essential for the defence sector, by refusing to grant export licences if the final recipient is a defence company. At the same time, Beijing is hindering the development of alternative supply chains by tightening access to Chinese technologies, know-how and components (see '*A blow dealt to Europe's defence: China steps up control of strategic exports*').
- **Beijing's move is intended to weaken political support within the EU for new measures to protect the single market.** In June, the European Council mandated the European Commission to prepare new instruments in response to the negative effects of Chinese industrial pressure. Beijing is now conducting an informal campaign to narrow the scope of the planned measures and deepen divisions within the EU. China has successfully employed similar tactics in the past. For example, it used diplomatic and economic pressure to undermine unity among member states, including by successfully discouraging Germany from supporting tariffs on Chinese electric vehicles (see '*Fear of retaliation: Germany's concerns about punitive tariffs on electric cars from China*'). Ahead of the European Commission's planned initiatives this autumn, including the President's State of the Union address in September and the presentation of the new instruments, Beijing is intensifying its informal pressure on EU member states, warning them of the consequences of adopting measures that would harm Chinese interests.