

Newsletter Twelfth Edition on LinkedIn

China's Export Restrictions – Overview and Implications

Pandas look cuddly – until they're not

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From The Economist: Europe's partnership with China Nov 22nd 2025

Welcome to this twelfth issue of the Lithium Briefing from thelithiumreport.com.

In 2025, **China flexed its muscles** quite unabashedly.

In terms of **measures that could affect Electric Vehicles**, during 2025 China introduced, tightened or continued export controls on:

- Magnets
- Rare earth elements
- Steel
- Battery manufacturing technologies
- Lithium extraction technologies
- LFP cathode manufacturing technology
- Graphite, gallium, germanium, antimony, tungsten.

Rare earths and magnets

In **April 2025** China imposed **export restrictions on 7 heavy rare earths** - samarium, gadolinium, terbium, dysprosium, lutetium, scandium, and yttrium. An export licence was required to export the materials and **16 US aerospace / defence companies** were particularly restricted from

receiving supplies.

This action led to **shortages of magnets** for all western manufacturers, disrupting the manufacture not just of EV main propulsion motors but **all electrical technology using NdFeB magnets**. One car manufacturer had 100,000 cars completed, waiting for weeks just for motors for the electric windows.

In **October 2025** China **added restrictions** on more elements - holmium, erbium, thulium, europium and ytterbium. The addition of **holmium** was **particularly difficult**, since western firms had been substituting some of the initial 7 elements with holmium.

But even more than that, **China took a leaf out of the American playbook** - the US **Foreign Direct Product Rule** (FDPR). This is a rule used by the USA to control the sale of foreign manufactured products if they contain US technology, as European defence manufacturers found out to their cost a few years ago. The Chinese have done the same thing: foreign companies now need Chinese approval to export any product (mostly magnets) **containing 0.1% or more of heavy REEs** sourced from China or that were manufactured using Chinese technology. Which basically means **anything with an REE in it**.

And even further than that, **Chinese nationals were banned from assisting foreign REE projects** of any sort, from exploration to manufacturing. To really make life difficult for us western devils.

These were China's strictest REE controls to date.

The October measures were then suspended for one year under a truce with the USA but supply from China is still anything but normal. The **Sword of Damocles hangs over western industry by a silken thread**.

Batteries, Lithium

In **July 2025** China suddenly announced export restrictions on **eight technologies for manufacturing batteries** outside of China. This included **lithium iron phosphate cathodes** and **extraction of lithium** from hard rock deposits and brines.

They already had export controls on **graphite** (for anodes).

At the time, the press already indicated this could have a negative impact on Ford's \$3 billion **BlueOval Battery Park** project to manufacture **LFP batteries** using **CATL technology**. Last week, Ford announced a nearly **\$20 billion charge** on its EV business and cancellation of numerous EV programs. Is it really lack of demand – or lack of supply?

Then in **October 2025**, export controls were announced on batteries with a specific energy of higher than 300 Wh/kg, battery manufacturing machines, plus three more cathode types: NCM, NCAI and lithium manganate. That only leaves Lithium Titanate out of the picture.

The situation is particularly ironic since 15 to 20 years ago the global leaders and inventors of LFP technology were American companies – Valence Technology and A123 Systems.

Steel

The export controls announced by China on **December 12** on over 300 steel products were the most astounding. Steel of course underpins the whole modern world. **China produces 54% of the world's steel** and is set to export over 110 million tonnes this year. Steel plants in the western world suffer from chronically difficult economics. **Steel shortages due to export restrictions from China** would send further shockwaves through western industry. **China also intends to cut its production**, with production apparently already running at over 10% less than this time in 2024. The combined impact of export licenses and reduced production can only have one implication for the rest of the world in 2026.

The Jigsaw Puzzle

If we put those jigsaw pieces together, the picture they make is **sobering**. No magnets. No equipment or REE to make magnets. No lithium, no battery materials, no equipment to make batteries. No help from Chinese experts. And no steel either, used to make pretty much everything.

Given that situation, no wonder the USA's electric vehicle plans in particular are going into reverse.

Over the last thirty years, the western world has moved the majority of its manufacturing eggs into one big basket – China. In return for “cheap” (and in many cases shoddy) goods, the western world has eviscerated its own manufacturing base, throwing millions of workers onto the unemployment registers (or disappearing them from the statistics entirely), therefore ensuring that the impoverished population can in any case only afford the cheap Chinese imports.

Why did the Allies win World War Two? Because of the massively superior manufacturing capability of the United States and the Soviet Union over Nazi Germany. For every tank, vehicle and gun that the Germans manufactured, the Allies manufactured more than six. They also fielded six times as many men. (*Source: Military Production during World War II, Wikipedia*).

The implications of that in the event of hostilities with China are terrifying.

Some 200 years ago, **Napoleon warned: “Let China sleep, for when she awakes, the world will tremble”**. 2026 is likely to be “interesting times” for the world outside China.

[The Lithium Report 2025 – 2035: The Next 10 Years. Everything you need to know about upstream lithium supply.](#)

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