

# In the US and Europe, Export and Import Controls May Be Expanded

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## Key Points

- Under the second Trump administration, the U.S. is expected to increase export control restrictions on China, particularly in the semiconductor sector, as well as to expand other China-related national security restrictions tied to U.S. investments, supply chains, cloud computing and AI modeling. Similar measures in Europe may not be forthcoming.
- The EU is set to implement its Economic Security Strategy, which includes enhancing foreign investment screening, monitoring outbound investments in advanced technologies and harmonizing export controls on dual-use goods.
- Various EU member states and the U.K. will likely continue to introduce new national export controls related to semiconductors and on emerging technologies such as quantum computing.
- We expect the U.K. and the EU to develop further import controls related to forced labor issues.

## Continued Growth of US Export Controls and Trade Restrictions Expected

Unlike tariffs, export controls were not a driving theme of Donald Trump’s 2024 presidential campaign. (See “[Decoding Tariff Threats: What Importers Can Expect on Day 1 and Beyond](#).”) Nonetheless, a further ratcheting up of U.S. export control restrictions on China, with a particular focus on the semiconductor sector, is likely in the short and medium term.

For instance:

- In addition to broadening the scope of items described on the Bureau of Industry and Security’s Commerce Control List, the incoming Trump administration may further expand the foreign direct product rule (*i.e.*, making certain foreign-produced items subject to the jurisdiction of the Export Administration Regulations if they incorporate certain U.S. technology or are made using certain U.S. equipment), the Entity List, and other U.S. export “blacklists.”
- The incoming Trump administration will have the opportunity to shape, enforce as well as potentially expand the new restrictions on U.S. outbound

investment in Chinese companies active in developing artificial intelligence (AI) models, semiconductors and quantum technologies that come into force on January 2, 2025. (See our November 8, 2024, client alert “[US Treasury Creates the ‘Reverse CFIUS’ Program, a \(Limited\) Great Wall on Outbound Investment](#).”)

- The new administration will also be in a position to finalize and implement draft China-related restrictions on U.S.-connected vehicle supply chains, AI modeling and exports of “bulk” U.S. person data.

In light of the likely expansion of U.S. export controls and trade restrictions, we expect increased divergence between the U.S. and the European Union/U.K.

If a rift does indeed open between the U.S. and the U.K./EU, we expect to see a ramping up of U.S. pressure on its Western partners to strengthen their own controls on exports to China. This approach was evident in the Biden administration’s efforts to encourage countries such as Japan and the Netherlands to strengthen their own export controls regimes to prevent China from acquiring equipment and technologies from other markets.

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## EU Economic Security Package Implementation Starting in Earnest

The European Economic Security Strategy (EESS) has been in the works since its formation was first announced in June 2023. In early 2024, the European Commission (Commission) laid out the EESS' core proposed components, which include:

- A proposal for a new regulation improving existing foreign investment screening mechanisms by conforming national rules, identifying the minimum scope for mandatory screening and extending EU screening to EU-entity investments controlled by non-EU companies.
- Identifying the risks associated with outbound investments in advanced technologies that could be used against the EU.
- Enhancing export controls on dual-use goods by harmonizing the national regimes.
- Encouraging more research and development in dual-use technologies.
- Enhancing security to protect against the misuse of research outcomes by third countries.

The EESS has been given additional salience by the new European Commission leadership because economic security was designated one of the central planks of the Commission's foreign policy agenda in the Political Guidelines 2024-2029. The new Commission will also for the first time include a specific commissioner with responsibility for Trade and Economic Security.

While the implementation of the EESS is still in its early stages, given the issue's priority, we anticipate the first concrete legislative proposals to emerge in 2025.

## National Export Controls Continuing To Proliferate

We have seen a proliferation of national restrictions across Europe:

- In the U.K., new national export controls on certain specific emerging

technologies (including quantum computing, semiconductor technologies and additive manufacturing equipment) were introduced in April 2024.

- Several EU member states introduced export controls on high-tech items going beyond Annex I of the EU Dual-Use Regulation.
- France imposed national controls on goods and technologies related to quantum computing and advanced electronic components such as semiconductors. This change was made under Article 9(1) of the EU Dual-Use Regulation, which permits EU member states to prohibit or impose authorization requirements on the export of dual-use items not listed in Annex I of the regulation for reasons of public security.
- Spain imposed export controls on certain semiconductor production equipment, semiconductor technology, computing technologies and additive manufacturing equipment designed or modified to produce explosive, pyrotechnic or propellant devices or shapes. The Spanish amendments were also introduced under Article 9(1).
- The Netherlands introduced export controls on its semiconductor production equipment. This change was made as a result of a trilateral agreement among the U.S., Japan and the Netherlands to impose parallel export restrictions on certain pieces of semiconductor manufacturing equipment.

Ordinarily, the multilateral export controls regime for dual-use goods would be coordinated under the Wassenaar Arrangement, which includes 42 participating jurisdictions. However, since Russia's invasion of Ukraine in 2022, Russia has vetoed additions to the control list at the multilateral level.

With the Wassenaar Arrangement procedures effectively paralyzed, it is highly likely that national export controls will continue to proliferate, either by unilateral action or in other multilateral formats (such as with the so-called "Wassenaar Minus One" group).

## A Focus on Import Controls Tied to Forced Labor Concerns

The 2021 U.S. Uyghur Forced Labor Prevention Act (UFLPA) contains a rebuttable presumption that goods mined, produced or manufactured wholly or in part in Xinjiang, China, or by an entity on the UFLPA Entity List, are the product of forced labor and thus prohibited from U.S. importation.

Similar measures have passed in the EU and are being considered in the U.K.:

- **In the EU:** The EU Forced Labour Regulation (Regulation (EU) 2024/3015 on prohibiting products made with forced labour on the Union market, or the EU FLR) entered into force on December 13, 2024. The EU FLR will prohibit products made using forced labor from being sold in, or exported from, the EU market. The prohibition will apply to any product where forced or child labor is used, whether in whole or in part, at any stage of the product's supply chain. The operative provisions of the EU FLR, including the prohibition, will take effect on December 14, 2027.
- **In the U.K.:** While there is no firm legislative proposal equivalent to the U.S. and EU laws, members of both Houses of Parliament have called for such legislation, and Secretary of State for Energy Security and Net Zero Ed Miliband has confirmed that the government will be working to address the issue. Additionally, a recent House of Lords report on the reform of the U.K. Modern Slavery Act 2015 recommended that the government consider introducing legislation to ban the import of items produced by companies known to use forced labor. The government's December 2024 response indicated there are currently no planned legislative reforms to introduce such a ban, with the government instead noting that it will continue to monitor and assess the effectiveness of existing measures. Accordingly, it appears unlikely that a U.K. version of the UFLPA will be introduced in 2025.