

US-China trade dispute

China imposes export curbs on graphite

Restrictions on critical electric vehicle battery material set to escalate trade tensions with US



Car battery modules at BMW's factory in Dingolfing, Germany. Graphite is a key material in electric-vehicle batteries © Krisztian Bocsi/Bloomberg

Edward White in Seoul, **William Langley** in Hong Kong and **Harry Dempsey** in London AN HOUR AGO

China has imposed export controls on graphite, a material used in electric vehicle batteries, as Beijing hits back at US-led restrictions on technology sales to Chinese companies.

[China](#), which dominates global supply chains for the mineral, will require special export permits for three grades of graphite, the commerce ministry and the General Administration of Customs said on Friday.

The new export controls, which China said were introduced on “national security” grounds, are set to escalate geopolitical tensions between Beijing and Washington and its allies over tech supply chains. They also underline China’s dominance of global supplies of dozens of critical resources.

Graphite for batteries can be produced either from mined material, which is called “natural” material, or in a “synthetic” process using petroleum feedstocks, which helps the cell charge quicker and last longer but is more expensive to produce.

China is by far the biggest processor of natural graphite and generated almost 70 per cent of the world’s synthetic graphite last year, according to Benchmark Mineral Intelligence, making it one of the critical materials where Beijing has the tightest

stranglehold.

The move comes days after US president Joe Biden's administration [tightened controls on exports](#) of cutting-edge artificial intelligence chips to China.

Beijing criticised Washington for the controls. The Chinese commerce ministry on Wednesday said the "US constantly overstretches the concept of national security, abuses export control measures and turns to unilateral bullying acts, which China is strongly dissatisfied with and firmly objects to".

Japan said it would look into whether China's latest measures were in accordance with World Trade Organization and other international rules.

"We will take appropriate steps . . . if the measures are deemed unjust," said chief cabinet secretary Hirokazu Matsuno on Friday, adding that the government will assess the impact of the export curbs. "We will check with the Chinese side on their

assess the impact of the export curbs. We will check with the Chinese side on their intentions and operational policies of the measures.”

While Chinese officials are wary of retaliation that could damage China’s own companies, Beijing in recent months has started to leverage its dominance over a vast array of materials and resources in response.

In July Beijing announced [similar restrictions](#) on gallium and germanium, metals used in a number of strategic industries including electric vehicles, microchips and some military weapons systems. The government also cited national security concerns.

However, those export restrictions are yet to significantly disrupt supply for non-Chinese manufacturers since they typically hold stockpiles. Bill Jackson, senior director at Indium Corporation, a New York-based supplier of materials to electronics companies, expected a “slow loosening [of restrictions by Beijing] and allowing of material back out”.

The new controls also require companies to obtain additional permits, which does not equate to a ban but creates uncertainty for industries dependent on the Chinese products.

Graphite is the most common material used in the anode side of lithium-ion batteries because of its relatively low cost, high energy density and stable structure. The anode side of a battery releases electrons during discharge.

Ross Gregory, a Seoul-based partner at consultancy New Electric Partners, said any ban on anode materials would be “incredibly significant”.

“The whole of the car battery industry is dependent on anodes, and they nearly all come out of China,” he said. “It’s not that the rest of the world can’t catch up, they can, but it won’t happen overnight.”

Hong Kong-listed shares of China Graphite Group gained 10.7 per cent on Friday following the announcement.

Additional reporting by Will Lawrence-Brown in Hong Kong and Kana Inagaki in Tokyo

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