IDSS PAPER

13 January 2026

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www.rsis.edu.sg No.008– 13 January 2026

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KEY TAKEAWAYS

- *Export controls are becoming a double-edged instrument for China's regional strategy.*
- *Southeast Asia is no longer a low-risk "buffer zone" for Chinese tech firms.*

COMMENTARY

Following the sale last month of Manus, a Singapore-based but Chinese-origin AI start-up, to the American company Meta, China's Ministry of Commerce commented on 9 January that the acquisition needed to be probed for a violation of China's export control laws, drawing global attention. The episode highlights China's expanding securitisation of tech-related supply chains. China's stance is concerning and also puzzling because Beijing needs Southeast Asia more than ever amid China's deteriorating relationship with the United States.

It is often argued that owing to its intense power rivalry with the United States, China needs Southeast Asia to mitigate its supply chain and economic security concerns when it faces trade tensions and market restrictions in the West. Against this background, the Chinese state has been said to double down on its engagement with Southeast Asia, diplomatically, economically and politically. For instance, China signed the upgraded China–ASEAN Free Trade Area 3.0 (CAFTA 3.0 Upgrade Protocol) in October 2025 to further integrate itself with the region.

Against this broader trajectory of deepening regional integration, overt and blunt applications of China's export controls targeting Southeast Asia remain rare. This restrained behaviour reflects the reality that China's economic interests are now deeply embedded in regional production networks as well as its growing reliance on Southeast Asian supply chains. Indeed, many Chinese tech firms have relocated to or expanded their operations in Southeast Asia to mitigate geopolitical risks elsewhere. But as China's capability and interest in applying strict export controls rise, it creates a dilemma for the Chinese state, its tech firms and Southeast Asian countries that are closely linked to global supply chains.

Growing Securitisation and China's Dilemma

China's interest in and practice of export control involving the region is not new. As early as 2017, China had imposed export controls on dredging technologies and machinery critical to the construction of artificial islands in the disputed South China Sea. Even so, the Chinese state refrained from explicitly identifying the target countries. Despite this ambiguity, the measure was widely interpreted as an effort to limit other South China Sea claimant countries' access to such technologies.

With its first export control law in force from 2020, Beijing now routinely relies on domestic laws to protect its supply chain and economic security interests. Given its dominant position in sectors such as refined critical minerals, data governance and robotics, China's securitisation of supply chains through export control measures has strengthened and is becoming more rigid.

However, China's export control regime places both the state and its home-based tech firms in a dilemma that has been clearly exposed in the Manus investigation case. From China's perspective, the relocation of Manus out of China is considered "Singapore washing" – acquiring a Singapore base as a veneer to avoid Chinese regulatory scrutiny – and reinforces concerns that strategic assets such as AI-related products are not secure in cross-border investments. This perception further drives Beijing to securitise technology and supply chains through investment-steering, scrutiny and increasingly strict regulatory control.

The investigation into the sale of Manus as a warning against cross-border transactions can generate several dilemmas for the Chinese state, its tech firms and regional states. The first is the trade-off between the Chinese state's domestic innovation imperatives and its security objective of protecting core technology at home. From Beijing's perspective, export controls are essential instruments of national security and a means of preserving its leverage amid intensifying great power competition. However, as export controls tighten, Chinese tech firms face greater constraints on overseas R&D collaboration, technology transfer and global operations. Such controls risk innovation at home as they may limit Chinese firms' exposure to diverse markets and cutting-edge applications abroad. Consequently, regulations intended to protect and maintain China's technological edge may paradoxically undercut its competitiveness.

The second dilemma lies in the tension between the security and commercial logics faced by Chinese tech firms as the Chinese state has been applying domestic regulatory tools such as the Data Security Law and Export Control Law in cross-border transactions that involve Chinese technology and data. In particular, when both China and the United States impose rigorous restrictions and conditions, many Chinese tech firms are encouraged to set up overseas subsidiaries in a trend known as *chuhai*, or “going to sea”, to serve the state’s “dual circulation” policy, a development concept that calls for prioritising the Chinese domestic market while staying selectively open to the international market. To Chinese technological companies, global expansion is not optional but critical to commercial survival.

However, the Manus case reveals that going to sea has conditions attached, and cross-border mergers and acquisitions can become legal and even security issues. This will ultimately increase the costs for Chinese firms to set up their businesses outside Chinese jurisdiction. As a result, Chinese firms face a dual burden: foreign suspicion because of their Chinese background and internal constraints imposed by domestic controls. Furthermore, efforts to reduce dependence on the Chinese domestic market incur significant compliance costs for their business, while continued reliance on Chinese production inputs exposes them to security concerns and pressures from the Chinese state.

The third dilemma for China lies in the delicate balance between regional integration and potential security concerns from commercial activities in Southeast Asia. Despite Beijing’s push for regional integration, the conditions and uncertainty revolving around export controls over certain technologies actually prevent deep integration of Chinese firms into host economies, which Chinese firms increasingly depend on to build supply chains, expand markets and integrate into regional production networks.

Despite Beijing’s push for regional integration, the conditions and uncertainty revolving around export controls over certain technologies actually prevent deep integration of Chinese firms into host economies. *Image source: Unsplash.*

At the geopolitical level, China’s export controls also raise uncertainty over technology transfers, overseas R&D and joint ventures, compelling firms to limit the scope of operations that they move abroad. The uncertainty complicates the external operating environment for Chinese firms. Southeast Asian governments and business actors that already navigate the US–China technological rivalry may become more cautious about engaging Chinese technology providers perceived as subject to opaque regulatory rules from Beijing. As a result, regulations intended to ensure China’s national security risk undermining its broad objective of integrating into Southeast Asian economies.

Impacts on China’s Supply Chain Configuration in Southeast Asia

While the Manus case indicates an increasingly challenging environment for Chinese firms seeking opportunities in the United States, it also implies growing challenges for firms seeking to relocate to Southeast Asia. On the one hand, increasing Chinese tech investments in Southeast Asia validate the important role of the region for multinational tech firms that hope to diversify the risks from tightening regulations.

On the other hand, export control amplification from both China and the United States raises questions about data sovereignty and regulatory oversight, particularly when firms become absorbed into foreign technology platforms subject to external security regulations. For instance, Singapore has faced growing external scrutiny, highlighted by the US probe into the republic's role in the diversion of semiconductor products to the Chinese AI start-up DeepSeek.

By the same token, China's export control regime can use export licensing requirements, delays or informal guidance to nudge regional governments to remain aligned with China. Furthermore, China's export control regime can function as a signalling tool to highlight its capability and remind Southeast Asian states of their vulnerability, thereby deterring them from aligning too closely with US-led initiatives aimed at decoupling from China.

Conclusion

In sum, China confronts a dilemma in using export controls as instruments of short-term leverage, as the trade-off is sacrificing the long-term innovative capacity of its technology champions (and the United States faces the same dilemma). Over-securitisation of cross-border transactions may push firms to offshore their talent, assets and technology in ways that could weaken the technological capabilities that Beijing seeks to maintain. The Manus case shows that Southeast Asia has emerged as the primary arena where this dilemma unfolds. The region serves both as a strategic buffer for Chinese tech firms amid great power technology competition and a site where the dilemmas of China's export control regimes become most visible.

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