

# Export Controls and the FDPR

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China has been a major player in the global economy for decades, with its exports contributing significantly to its growth. However, recent developments in export controls and sanctions have raised concerns about the impact on China companies.

In 2018, the United States implemented tariffs on Chinese goods, citing concerns about intellectual property theft and trade deficit. This move sparked a trade war between the two countries that has yet to be resolved.



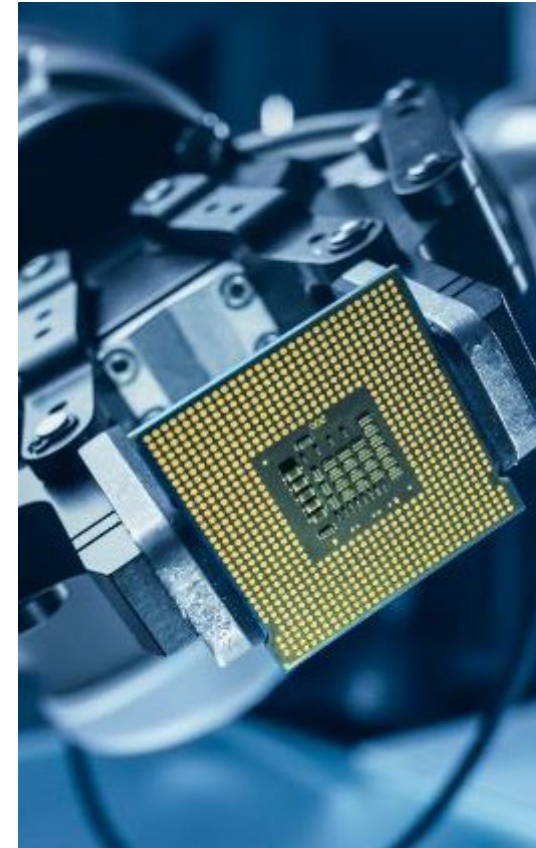
## Export Controls and the FDPR



In addition to tariffs, the U.S. has also imposed export controls on certain technologies that it deems sensitive, such as semiconductors and software. These controls are limiting China companies access to these technologies, which are critical to its tech industry.

The U.S. government has implemented a foreign direct product rule (FDPR) for electronic products, including chips supplied to Chinese companies. The rule is aimed at regulating the export of electronic products to China and ensuring they are not used for military purposes or other activities that may be deemed detrimental to U.S. national interest.

The FDPR is a complicated rule that, basically, prohibits exporting or transferring certain non-US products to specific countries or users if they were developed or produced using certain US-origin hardware, software, or technology (without a duly issued license). The FDPR is a great example of how foreign made products can find themselves within the reach of US jurisdiction.



### Seagate fined \$300 million for shipping 7.4 million hard drives to



Photo by Justin Sullivan/Getty Images

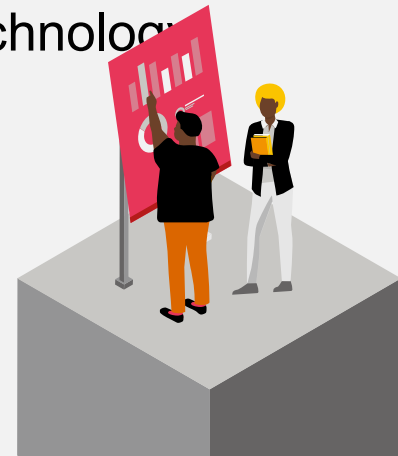
/ It's the largest standalone penalty ever issued by the Bureau of Industry and Security.

By Jess Weatherbed  
Apr 21, 2023, 7:10 PM GMT-8 | 5 Comments / 5 New



Computing storage manufacturer Seagate has agreed to pay a \$300 million penalty imposed by the US Department of Commerce (DOC) for

An example of this extraterritorial reach is the recent \$300 million settlement with Seagate for violating US export controls of hard drives supplied to one company in direct violation of the FDPR. Seagate HDDs were made using certain foreign origin production and testing equipment that was itself subject to the EAR because it was a direct product of U.S. origin technology.



# Export Controls and the FDPR

As the U.S. and other countries continue to implement export controls and sanctions, companies in China will need to adapt and find new ways to sustain their business and at the same time remain compliant.


Now is the time for non-U.S. companies to review where their business practices meet U.S./E.U. export controls and sanctions.

At PwC we have a team of integrated supply chain experts who can help you, please contact us for more information.

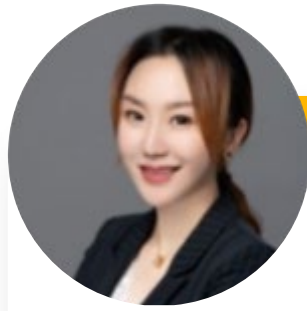


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