

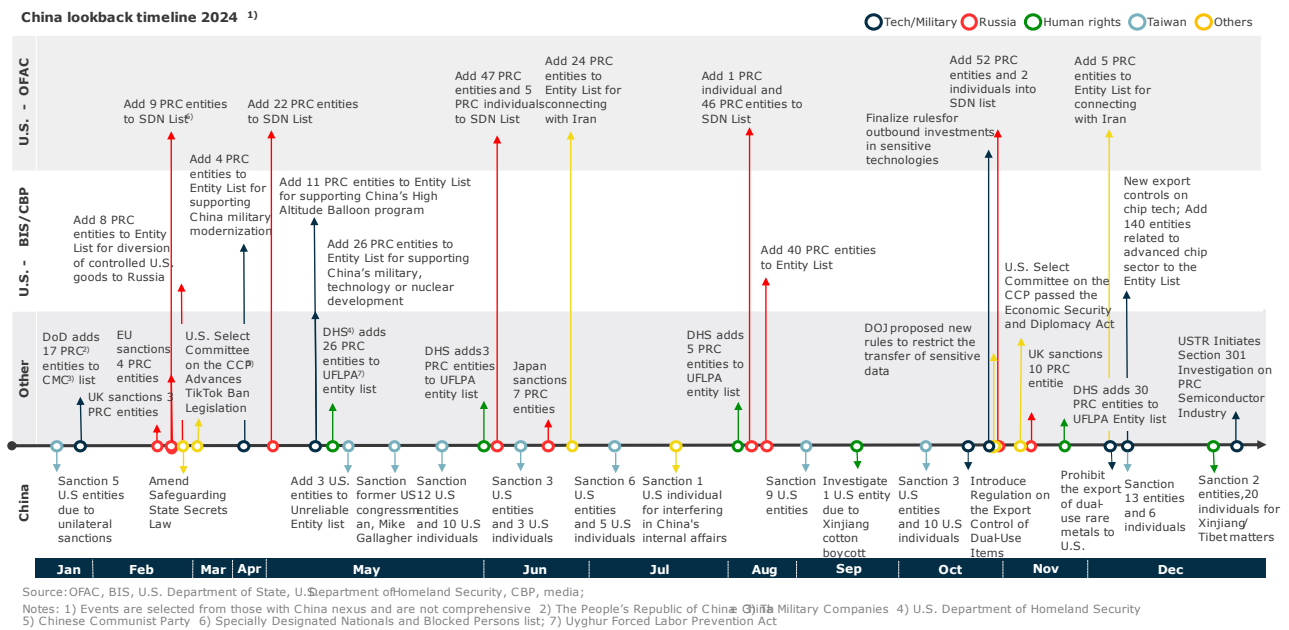
2024

**A REVIEW OF FOREIGN
SANCTIONS AND EXPORT
CONTROL DEVELOPMENTS
INVOLVING CHINA**



Throughout 2024, the Biden administration limited China’s access to sensitive technologies, proposed new restrictions and adding a record number of Chinese entities to the Entity List. OFAC also designated a significant number of Chinese entities linked to Russia’s efforts to bypass sanctions and export controls. On the other side, the Chinese government expanded export controls on dual-use goods, as well as imposed sanctions on companies and individuals under the Anti-Foreign Sanctions Law (AFSL).

FIGURE 1: CHINA LOOKBACK TIMELINE 2024



The following are some key takeaways from 2024:

- Export control is tightening, targeting sensitive technologies.** In December 2024, the Bureau of Industry and Security (BIS) announced new sanctions on semiconductor-related technologies and equipment, adding 140 entities to the Entity List for their alleged involvement in China's advanced chip production.¹ The new rules encompass tighter controls on semiconductor manufacturing equipment, software tools for chip development, high-bandwidth memory, and a broadened definition of Foreign Direct Product (FDP) rule. The annual update to chip-related export control rules has become routine in recent years. In alignment with U.S. policy, both the Japanese and the Dutch governments have also announced plans to expand export restrictions on advanced semiconductor

¹ <https://www.bis.gov/press-release/commerce-strengthens-export-controls-restrict-chinas-capability-produce-advanced>

manufacturing equipment.² By the end of 2024, the Entity List had grown to include over 1000 Chinese individuals and entities, with the addition of more than 250 new entries in 2024 – the highest annual increment in the past decade.

- **Russia remains a key word and one of the major causes for Chinese entities being sanctioned.** In 2024, more than 190 Chinese individuals and organizations were designated under OFAC’s Russian sanctions programs, alongside over 80 additions to the Entity List for allegedly supporting Russia’s military or diverting controlled U.S.-origin goods to Russia. These figures represent a significant increase compared to 2023. As part of G7’s ongoing efforts to address the Russia-Ukraine war, multiple new sanctions and export control measures have been imposed. A key focus has been preventing circumvention of sanctions and the diversion of goods to Russia. The EU has also introduced “No Russia” and “No Belarus” clauses for sensitive goods to curb re-exports to these countries.³
- **Chinese companies involved in sensitive technologies face restrictions on access to U.S. funds and markets.** In addition to export controls, the U.S. government has enacted a series of investment restrictions to prevent China from advancing sensitive technologies. The Committee on Foreign Investment in the United States (CFIUS) has heightened its scrutiny of China-funded investments in critical U.S. sectors, particularly those involving advanced technologies, critical infrastructure, and personal data.⁴ Furthermore, the U.S. Treasury issued a final rule in October 2024 to implement the 2023 Executive Order on outbound investment, the so-called “Reverse CFIUS Program”, restricting U.S. investors from funding Chinese companies involved in certain activities related to artificial intelligence (AI), quantum computing and semiconductors.⁵ Additionally, the prohibition on securities trading related to entities on OFAC’s Chinese Military-Industrial Complex (CMIC) list remains in effect, though the list has not been updated in the past two years.⁶
- **Over the past few years, the Chinese government has developed a multifaceted legal and regulatory system in this area.** In October 2024, China introduced a new Regulation on the Export Control of Dual-Use Items, which features a revised classification of dual-use goods, expanded military end-use controls, re-export controls, country-based restrictions, and updates to China’s Unverified List and Control List.⁷ At the same time, we observed new additions to the Unreliable Entities List (UEL)⁸, while the Ministry of Foreign Affairs increasingly announced direct sanctions measures targeting specific entities and individuals under China’s Anti-Foreign Sanctions Law (AFSL)⁹. Most of these direct actions were linked to arms sales to Taiwan. However, the Chinese government also sanctioned a U.S. data intelligence firm specializing in trade due diligence tools at the end of 2023, which was seen as a response to UFLPA restrictions.¹⁰ Similarly, in October 2024, reports surfaced about an ongoing investigation into a U.S. apparel company for potential inclusion on the UEL, reportedly due to its refusal to source cotton from Xinjiang.¹¹ In the last two years, China has also undertaken revisions to its national security laws and regulations, including the Counter-Espionage Law¹², the Safeguarding

² <https://www.straitstimes.com/asia/east-asia/japan-to-restrict-chip-making-equipment-exports-aligning-it-with-us-china-curbs>

<https://www.government.nl/latest/news/2024/09/06/the-netherlands-expands-export-control-measure-advanced-semiconductor-manufacturing-equipment>

³ https://finance.ec.europa.eu/system/files/2024-02/faqs-sanctions-russia-no-re-export_en.pdf

⁴ <https://crsreports.congress.gov/product/pdf/IF/IF10177>

⁵ <https://home.treasury.gov/policy-issues/international/outbound-investment-program>

⁶ <https://ofac.treasury.gov/sanctions-programs-and-country-information/chinese-military-companies-sanctions>

⁷ https://www.gov.cn/zhengce/content/202410/content_6981399.htm

⁸ http://english.scio.gov.cn/pressroom/2024-05/20/content_117200330.htm

⁹ https://www.fmprc.gov.cn/web/wjbxw_new/202412/t20241227_11520050.shtml

¹⁰ https://www.fmprc.gov.cn/web/fyrbt_673021/jzhsl_673025/202312/t20231226_11213135.shtml

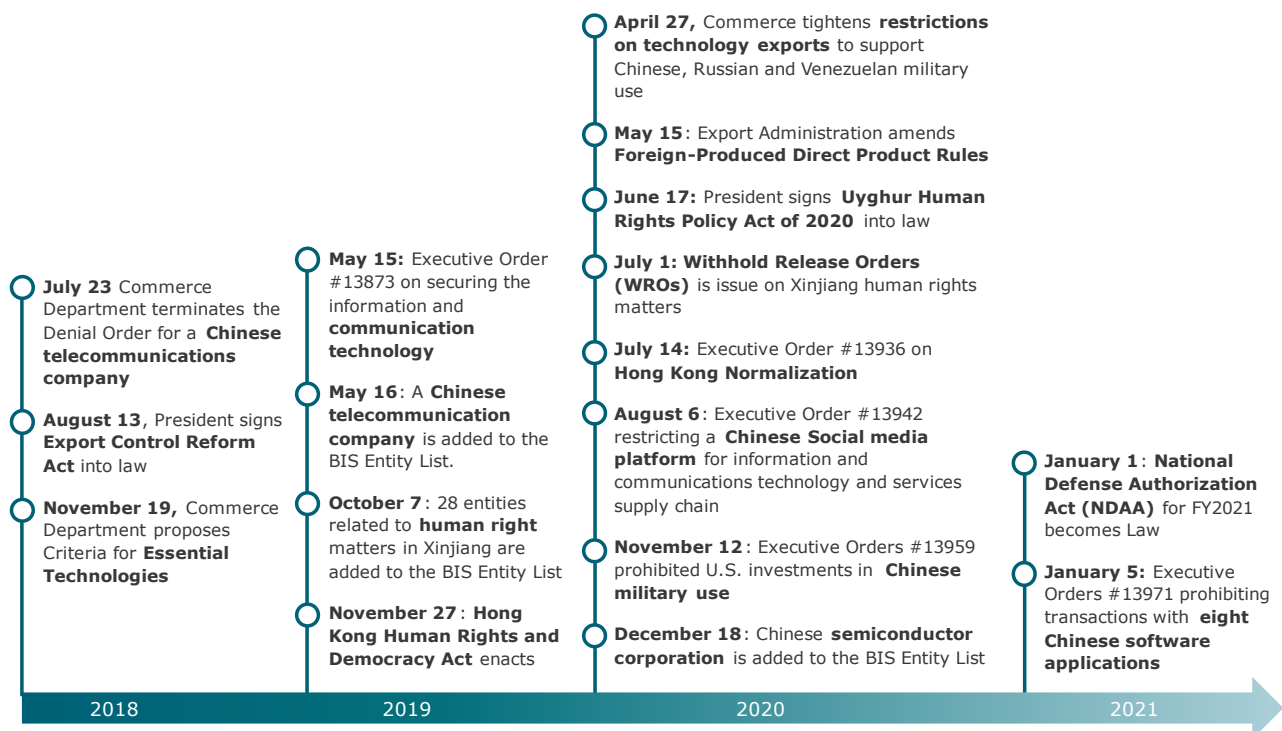
¹¹ <https://www.globaltimes.cn/page/202410/1321785.shtml>

¹² https://www.gov.cn/yaowen/2023-04/27/content_5753385.htm

State Secrets Law¹³, and the regulations on data security¹⁴ and cross-border data transfer¹⁵. These updates enhanced control over sensitive information and activities, with enforcement efforts targeting cross-border data transfers, unauthorized foreign-related surveys, among others.

With Donald Trump's return to the White House, ongoing volatility underscores the need for heightened compliance and strategic agility in the year ahead.

FIGURE 2: SELECTED EVENTS OF TRUMP’S FIRST ADMINISTRATION



Looking ahead – Donald Trump won the U.S. election and has returned to the White House in January 2025. Based on his actions during his previous presidency and his campaign statements, we anticipate the following trends:

- **Broadened existing trade restrictions:** Already in January 2025, new rules have been announced concerning AI and semiconductors.¹⁶ Trade tariffs and embargos were a key focus during President Trump’s first administration and have remained a central theme in his 2024 campaign. According to our record, the Entity List designation of Chinese companies surged during his first term, while new

¹³ http://www.npc.gov.cn/c2/c30834/202402/t20240227_434859.html

¹⁴ https://english.www.gov.cn/policies/latestreleases/202409/30/content_WS66fab6c8c6d0868f4e8eb720.html

¹⁵ https://english.www.gov.cn/news/202403/23/content_WS65fe0f84c6d0868f4e8e5612.html

¹⁶ <https://www.bis.gov/press-release/commerce-strengthens-restrictions-advanced-computing-semiconductors-enhance-foundry>; <https://www.bis.gov/press-release/biden-harris-administration-announces-regulatory-framework-responsible-diffusion>

export¹⁷ and investment¹⁸ restrictions have been imposed targeting China's advancement in sensitive technologies. We anticipate that existing trade restrictions will expand in 2025.

- **Intensified enforcement of UFLPA:** As of November 2024, U.S. Customs and Border Protection (CBP) has reviewed shipments worth over \$3 billion under the Uyghur Forced Labor Prevention Act (UFLPA). Additions to the UFLPA list were made during 2024.¹⁹ As Senator Rubio, newly sworn Secretary of State²⁰, has repeatedly called on more enforcement of UFLPA,²¹ we anticipate future listing and stricter U.S. border control in this area.
- **Tighter restrictions on data transfers, software, and information technology services:** Back in 2020 and 2021, Trump issued executive orders targeting a Chinese social media platform²² and eight Chinese apps.²³ In 2024, BIS issued its first-ever Information and Communications Technology and Services (ICTS) ban, prohibiting a Russia-based software company from providing services to U.S. persons.²⁴ Additionally, new rules have been finalized to restrict data transfers to China²⁵ and the import of connected vehicles with embedded Chinese software and hardware in 2024²⁶. Just prior to the issuance of our review, in January 2025, the new final rule was announced to restrict the sale or import of the Vehicle Connectivity System (VCS) and software integrated into the Automated Driving System (ADS).²⁷ These actions suggest a growing regulatory area that could impact Chinese companies.

“This action builds on BIS’s laser-focused work, undertaken over the past few years, to impose strategic controls that have hindered the PRC’s ability to produce advanced semiconductors and AI capabilities directly impacting U.S. national security. We are constantly talking to our allies and partners as well as reassessing and updating our controls”

– SECRETARY OF COMMERCE FOR INDUSTRY AND SECURITY, DECEMBER 2, 2024

¹⁷ <https://2017-2021.commerce.gov/news/press-releases/2020/04/commerce-tightens-restrictions-technology-exports-combat-chinese-0.html>

¹⁸ <https://www.federalregister.gov/documents/2020/11/17/2020-25459/addressing-the-threat-from-securities-investments-that-finance-communist-chinese-military-companies>

¹⁹ <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2024/november/department-homeland-security-adds-29-entities-uyghur-forced-labor-prevention-act-entity-list>

²⁰ <https://www.state.gov/biographies/marco-rubio/>

²¹ <https://www.rubio.senate.gov/rubio-biden-harris-admin-must-fully-enforce-uflpa/>

²² <https://trumpwhitehouse.archives.gov/presidential-actions/executive-order-addressing-threat-posed-tiktok/>

²³ <https://www.reuters.com/article/technology/trump-bars-us-transactions-with-eight-chinese-apps-including-alipay-idUSKBN29A2PA/>

²⁴ <https://www.bis.gov/press-release/commerce-department-prohibits-russian-kaspersky-software-us-customers>

²⁵ <https://www.justice.gov/opa/pr/justice-department-issues-final-rule-addressing-threat-posed-foreign-adversaries-access>

<https://www.cisa.gov/resources-tools/resources/EO-14117-security-requirements>

²⁶ <https://www.bis.gov/press-release/commerce-announces-proposed-rule-secure-connected-vehicle-supply-chains-foreign>

²⁷ <https://www.bis.gov/press-release/commerce-finalizes-rule-secure-connected-vehicle-supply-chains-foreign-adversary>

As Chinese companies increasingly go overseas, we recommend them to consider the following measures to stay prepared for regulatory challenges of foreign regulators:

- **Treat sanctions and trade compliance as a top management priority**, not just another compliance topic, as its violations could jeopardize the entire business operation.
- **Raise awareness of regulatory requirements across business departments**, as relying solely on legal and compliance teams is insufficient.
- **Reassess risk exposure in business operations and future expansion plan**. Enhance visibility into the company's customers, business partners, supply chain, and distribution channels among others.
- **Ensure the company's sanctions and export control programs are regularly updated and tested**, as these regulations change frequently and the related controls must be effectively maintained.

AlixPartners has deep expertise in assisting financial institutions and corporates in developing compliance programs, reacting to regulatory enquiries, and overcoming operational challenges. We remain committed to vigilantly monitoring and adjusting our service offerings to best support our clients in sanctions and export control related matters. Please reach out if you have any enquiries relating to this article or our services.

FOR MORE INFORMATION CONTACT:

Eddie Lam
Partner & Managing Director
Hong Kong
elam@alixpartners.com

Jiayan Xu
Director
Shanghai
jixu@alixpartners.com

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