

Report on Supply Chain Compliance Volume 3, Number 11. May 28, 2020 US seeks to further isolate Huawei

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On Friday, May 15, the United States Department of Commerce, Bureau of Industry and Security amended the foreign-produced direct product rule and the Entity List^[1] in an attempt to further isolate Huawei Technologies Inc. from the U.S. semiconductor industry. The rule change pertains primarily to the non-U.S. manufacture of semiconductors where the product is manufactured using or based on specific types of U.S.-origin technology or software.

The amended rule^[2] maintains the scope and criteria of General Prohibition Three, also known as the foreign-produced direct product rule, and exercises existing authority under the Export Control Reform Act of 2018 by imposing a new control through 15 C.F.R. § 736.2(b)(3)(vi) of the Export Administration Regulations. The Bureau of Industry and Security described the move as a narrow and strategic targeting of Huawei's acquisition of semiconductors that are the direct product of certain U.S. software and technology. The impact is limited to a specific set of components and technology and the handful of companies that use them to manufacture chipsets and other electronics.

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