

## Season 2- Episode 8

**Olga Torres:** Thank you for joining us. My name is Olga Torres, and I'm the Founder and managing member of Torres Trade Law, a national security and international trade law firm. Today we're joined by Matt Bell, Senior Managing Director and leader of export control sanctions and trade at FTI Consulting. Matt has experience in overseeing large and highly complex investigations in some of the most challenging regions in the world. Prior to FTI consulting, Mr. Bell held senior legal and compliance positions in major multinational companies in the telecoms and energy industries, including having served as Chief Compliance Officer Senior Global Anti-corruption council, Global Trade Compliance Council and Regional Compliance Council for these organizations. Much of his work with these companies occurred during investigations related to and as a result of record setting settlements with various U.S. government agencies related to FCPA foreign in corrupt practices act, export controls and sanctions violations. He started his career in consulting with international trade practices in two of the big four consultancies. Welcome Matt.

**Matt Bell:** Thanks, Olga. Happy to be here.

**Olga Torres:** So, for those of you who do not know, I actually met Matt I want to say 15 years ago or something like that.

**Matt Bell:** Yeah.

**Olga Torres:** And that reveals our age, but we started really young in this career. And I think it was when we were both speaking at a local DEC event. No, it was exporting with the experts.

**Matt Bell:** Yes.

**Olga Torres:** And back then, I believe you were with one of the consulting firms.

**Matt Bell:** Yes, I think I was with UY back then.

**Olga Torres:** Yeah. So, we've stayed in touch, and we've all moved firms. I moved firms, you moved firms, and so I'm glad to have you here. So, in one of the recent conferences that we both attended last year in Miami, I heard you speak and I thought it was really interesting. You gave a little bit of a presentation about historic China and you actually have really good visuals.

Well, first of all, I always start with, give me a little bit of your background for those of you who do not know you, and we go back to where do you grew up, what's your background, how do you end up where you are? And then as a follow up, give us some historic background on China, why you're interested in the region, what your experience is, and I know you said in that presentation that I mentioned that you're a self-taught Chinese historian. So, I thought it was really interesting and I'm hoping our audience will enjoy it as well.

**Matt Bell:** Sure. So as background, I always kind of joke, I'm a kid who grew up in Oklahoma who had no interest in kind of politics, geopolitics, global economy but that's not how the path ended up, right? So, after college, I decided to go to law school. Not knowing if I wanted to be a lawyer, but I got an offer from a smaller school, Faulkner University in Alabama that was like, all right, full ride versus 40 grand a year at some other schools I got into. And I was like, okay, I'm not sure I want to be a lawyer, I should go for the cheaper one. So, I did that and then graduated right when the world's kind of having turmoil in 2008, you've got things happening and markets going down, and so I decided to do a master's after law school and the focus was international trade law. So, I went to John Marshall Law School in Chicago.

**Olga Torres:** I did not know that. And I graduated in the same year, and I remember people were resending offers. Yeah, it was turmoil.

**Matt Bell:** Well having gone to a smaller school in Alabama and trying to get to Texas or a bigger market, it was just really difficult. So, some mentors kind of guided me towards maybe doing an LLM a Master of Laws, and I ended up at John Marshall in Chicago. I was one of five or six Americans in the program. And most of the other lawyers were international lawyers, foreign lawyers from all around the world. So, some of like my closest friends in the program were from Mexico, Paraguay, Puerto Rico, Ukraine, Kenya, China and like all these Turkey, like all this very interesting kind of mix of professionals around the world. Most of them were more experienced. They had practiced for 5, 6, 7 years or more, come back to do a master's in the U.S. So, I was like fresh out of law school trying to figure out the world. They're like experienced professionals, but it was a great time because you have the financial crisis. Some of our professors were just like, get rid of the textbooks. We're going to talk about what led to this and the interconnectedness of the world and markets and trade. And so, it was a great kind of starting point for my career. And then from there I went into consulting. Starting in Silicon Valley, working in Mountain View, California office of KPMG, at the time. All my clients were semiconductor clients, high tech clients, a lot of the same clients I have today, actually now at FTI. But I had to learn encryption, right? The rules had just

changed or were changing in 2010, there was a big encryption change. All of this kind of learning the supply chain of high-tech industry. How does a semiconductor get made? What are the steps? Like, so as I look back now to where we're at today with semiconductors being a core issue between the U.S. and China, like it was very fortuitous back then that like, that's how I started my career is really with those companies and learning that as the kind of baby consultants.

**Olga Torres:** And speaking of Silicon Valley, you probably don't remember this, but you sent me back then a job that you were like, oh, I don't want to move to Seattle. I think it was Amazon and they were giving equity and I was like, oh, I don't want to move to Seattle either. Now I've been like.

**Matt Bell:** Yeah, well, there's a few of those moments probably in both of our careers.

**Olga Torres:** Right. I would probably be retired by now.

**Matt Bell:** There's a few of those, it's like, I interviewed with Tesla at one point and a friend of mine ended up taking one of those jobs was Tesla.

**Olga Torres:** It was one of those.

**Matt Bell:** Oh, Amazon too. But my friend ended up taking the Tesla job and he now basically is retired on Tesla stock. So maybe we should have had different thoughts. But I started there and then I moved to TUY in Dallas and I, there I was really the only manager that did export controls and sanctions, so I got to work on a lot of big clients and some of them were ground up, like starting with nothing, right? They had no compliance program and we really had to build it and learn the business process, map the business process to really develop kind of the controls that would actually be useful controls, right? And practical to the company. Not just, hey, here's a compliance manual that no one can implement. Here you go, put it on your shelf. From there I got a call from Weatherford Oilfield Service Company in Houston, and they said, hey, we need somebody to help us build a program, who knows export controls and sanctions, who understands encryption because they actually had a lot of encrypted software in the oil field. And they didn't have anybody who really did that. And so, because of my starting point doing encryption in tech back in Silicon Valley, like I had that background skillset. So, I moved to Houston. We've now been in Houston for 11 years. I think we're staying as indefinitely. We love it here. We got three kids here that are engaged in school and sports and those things now,

so it's hard to pull away. But I went in-house. Weatherford had a record-breaking settlement back then.

**Olga Torres:** I remember that.

**Matt Bell:** A quaint hundred million for sanctions and BIS violations.

**Olga Torres:** And now it doesn't sound like that much.

**Matt Bell:** No. And it was one of the first BIS mandated, kind of audit, auditor relationships. And so, we had one of those first ones, we worked through it Simultaneously, we had an FCPA settlement and monitorship from DOJ. So, we had two monitors at once, which was just crazy. From there I ended up in-house at KBR doing a lot of anti-corruption that was purely anti-corruption. I wasn't doing trade and I missed it. Like trade's my first love. Yeah, anti-corruption was like, this thing I thought was cool. It's like, oh, you got to get it on the resume. And I was bored out of my mind.

**Olga Torres:** Really?

**Matt Bell:** Well, they had had a monitor in the past. And so, they already had a program. They already had their controls. So, it was just maintaining a program as opposed to, I like to build, I like to take things from nothing and build it up and build teams. And so, then I got a call from a large Chinese telecom company that was in a lot of trouble, to come work with them and to help resolve their issues with the government, which ultimately led to a billion dollar settlements. All over the news from 2016 to 2018 in the middle of the trade war, right? I mean, really two world powers.

**Olga Torres:** And was it as bad back then? I mean, I know we've been very wary of China, but I feel like nowadays that's the only thing we hear. Well, that and Russia or it's dominating.

**Matt Bell:** I think it was the start of what we have now, right?

**Olga Torres:** Yeah.

**Matt Bell:** I mean, when you think really with Trump, when he came into power in his administration, he was even in the election process, pretty harsh on China and kind of the more on the trade imbalance, more on the economics, less on the national security risk. But I think that has evolved to permeate U.S. government and now allied government thinking as well is the strategic

challenges that China poses. And so, I came out of that kind of in-house experience, spending a lot of time in China, working for a Chinese company, having lots of employees that reported to me that were Chinese. I was going every month to Shenzhen for almost two years.

**Olga Torres:** That's insane.

**Matt Bell:** And in between with government and monitors and customers all over the world. But it was a really interesting experience to learn that and to really go through that process firsthand.

**Olga Torres:** And was that when you started reading about China and Chinese history? Is that what led you to that? Or was that prior to?

**Matt Bell:** No, it was kind of the starting point, like just prepping for the job because the recruiting process actually took quite a while. Right from first call until I'm walking in the door the first day, it took several months, probably six months maybe. And so, during that time, as I'm thinking about it, I started reading up a little bit on it. I had been to China before for client projects when I was in consulting. But that's for a week here, a week there a few days, right? My first trip to China was for less than 24 hours.

**Olga Torres:** Oh my God.

**Matt Bell:** If I think back in my career, like we hit Hong Kong, Shanghai, Bangalore, all in the same week. I was only in Shanghai for like 19 hours, right? And then we flew on to Bangalore. So, I had been there before, but not with that depth. And so, I started reading a little bit, but really, it was as I got into the job and I wanted to understand my perspective of my company, right? Every company culture is different. Every general, just business culture of a nation is different. So, what drives them, what's going to resonate in the messaging of a compliance program was something I was trying to figure out. What is the language? What is the catchphrase? What is the theme of our compliance program that might resonate here? And so that led me to some of that. And then a lot of it was just curiosity and like, I don't know if you've been to China and you, there's always these big dinners with big round tables and a lazy Susan in the middle.

**Olga Torres:** Yeah, we actually have one of those at our house.

**Matt Bell:** They last for hours. And you talk to people about all sorts of things. And especially for my team that I was close to, I mean, we talked about life and

politics, and what their life was like growing up in a more modern China where a lot of them grew up in a middle-class lifestyle in a city which is very different than maybe their parents grew up. Or their grandparents. So, like, it was interesting to see those perspectives and then really as I got out of that and so I took some time off and then FTI, which is where I work now, they had been supporting that prior employer for years on forensic investigations. And other aspects of the business. And so, I really got to know FTI when I was the client, and they were a service provider. And so, then they kind of reached out and said, hey, we want to start a practice in this international trade space. We already know you. You know us. Why don't we get together and build something? So that's how it came about. And that was March of 2019, I founded the practice. And now we have 30 people around the world. We have some of the biggest names in tech industries, semiconductors, supply chain, and manufacturers as our clients. And so, we operate all over the world. I have a team in China, in Hong Kong, in Europe, in the U.S.

**Olga Torres:** I will have a question later on that and the diligence in China. Because I was reading something on the news, but I don't want to digress.

**Matt Bell:** Yeah. So that's kind of the background. And as I got into that, I just started reading more and more. I became more and more interested. And it's also the same time you see the political tensions kind of ratcheting up. And so, it's like, okay, let me understand the two different perspectives because I've always, from the time I was in Weatherford, one of the things I learned from the leadership there, they had some great leaders, compliance officers, Billy Jacobson, Natalia Shahada. One of the things I learned is giving people in the business context and the why that you're doing something. Is really helpful to get them to want to be on board and to do it. And it's the same with our clients now, you know, your law firm and consulting firm. Like if we can explain the context of why things are happening and which direction they appear to be going and why you might think it's going that way. One, it gives you more credibility, but it helps them make better business plans. And so that's kind of that presentation you saw in Miami, and I've done it several places. But I start with a bit of historical perspective because the China historical perspective in the U.S. are drastically different in many ways, and I think that helps give people a better understanding of kind of what we're up against maybe in our capabilities,

**Olga Torres:** I'll let you start it, but to me, it gave me a lot of context and I'm not up to speed the way you are. I try to keep up especially now, but I never actually go back to the history. And I just thought it was so revealing to just understand some of the basics. So, I'll let you get started.

**Matt Bell:** Well, even if you think about, let's start with the China perspective, right? China's been around, depending on who you're asking and what number they're trying to align it to for some larger purpose, three to 5,000 years of history, right? They have a long and storied history. They at one point, fairly recently, as recently as in the 17 hundreds, which to us is when our nation was founded and is like ancient history to them. That's recent history, right. But during the Ching Dynasty, they controlled one third of the world's population, by other countries playing tribute to them and kind of being subjected to the Chinese emperor. They had the largest navy in the world. They had more trade than anyone else. That's fairly recent and that's what they're trying to get back to is being that kind of center central country. China means middle kingdom, the center of the universe, the center of things, like they are a powerful nation. And so, they're just trying to get back to that, right? And so, during that time or shortly after imperial powers Britain, France, Portugal, the U.S. starts to get involved really in 1784 is when we start relations with China, but really the West is dictating to China how things are going to be done. You've got the opium wars. You've got us telling them which ports are going to be open. That's why Hong Kong went to the British, Macau went to the Portuguese, Shanghai and others became open for trade. And Guangdong became open for trade and that's really where you see the Opium War starting.

China views kind of that 1840s to 1949, which is when the People's Republic of China is officially founded after a Civil War. They call that the century of humiliation. The rest of the world was dictating to them how things would be. And really the core objective of the Communist Party movement, which was founded in 1921. So, they just had their hundredth anniversary of the party founding a couple years ago. That's why that was an important year. And you saw a bunch of big speeches from Xi Jinping on those things. But is to have China rise, a rejuvenation is a term that's been used. The gentle rise, the China dream, there's all these things. But it's the century humiliation is over and we're now on the rise to be a powerful nation again.

And so, there's a lot of meaning to numbers in Chinese culture. And so, the hundred-year anniversary, these certain anniversaries or certain things that hit certain numberings are very important. So, by 2049, they expect to be the most powerful nation in the world. Like that's the goal. That's the centennial of the founding of the People's Republic, that you've heard comments from President Xi around unifying China, which that'll get maybe later to a Taiwan question of what does unification look like and mean, and on what timeline?

But you've got the U.S. perspective, right? Well, we only started in, well 1776 is our official we declared our independence. Let's do these things. And then 84,

1784, we start relationship with China and we're really ascending as a world power, right? The industrial revolution. All these things are coming in. We're growing as a nation. We're starting to do trade. We've won some early wars. We've established that we are a nation, don't mess with us, right? And so, we're becoming the world's superpower. And then we kind of are at some point, well, you have the 1970s, which is when we really start talking to China after the PRCs founded. We didn't have much of a relationship before. China was somewhat aligned with the Soviet Union. And then they kind of do a pivot and they're like we're not sure the Soviets are going to win this thing. And so, there's secretly some meetings that happen in the background. The Chinese approach, Henry Kissinger. Henry Kissinger makes a visit that nobody knows about at the time to China. Later you have Richard Nixon being the first U.S. president to visit the PRC in person. And so those are events that kind of change our relationship to China to say, oh, China's open to working with us. And there was these things that happened in China with Mao and the cultural revolution and the great leap forward and all these kind of terrible things from our perspective of history where millions and millions of people died. But it was for this bigger picture, greater good of kind of building this nation.

Then Deng Xiaoping comes in. He has a much different view on like, hey, if we're going to grow as a nation, if we're going to really become a power again, we've got to have investment, we got to have money, we got to have funding, we got to have industry that can grow. And so, he really decides to open up to the West. And I think unfortunately the West's view, the U.S. and European allies maybe was, if you give China enough capitalism, it'll cure communism. And it just wasn't accurate, right.

**Olga Torres:** They didn't open up 100 percent.

**Matt Bell:** It may have been close, right. We can look back at events in history. 1989 in Tianan Square. There's been other times in their history with different leaders since Deng Xiaoping, where there's been factions in the party that may want a more democratic approach. But Xi Jinping has crushed all of that. I mean, he has really consolidated power. He is kind of back to being a true believer of kind of how the communist party needs to operate and not be corrupted and influenced by kind of Western decadence and kind of even corruption within the party. His corruption crackdown has, depending on the estimates you see over a million people have been investigated.

**Olga Torres:** That is scary.

**Matt Bell:** Right. Hundreds of thousands have been punished, many have been purged from the Communist party during that and it's really helped consolidate his power. And so, you have those two very different timeline perspectives and kind of how you achieve those. There's economics, there's military, and there's geopolitical kind of power and persuasion among other nations.

**Olga Torres:** And we were discussing in one of the last podcasts, to me, it's really interesting how the government, the way I see it is Trump administration starts in a more, I don't know if previous administrations were thinking of them as some kind of threat. But at least what we know publicly available, Obama and the Bush administration, they saw the conflict with China as pretty much low probability. So, it's really interesting how things changed so quickly and one of my complaints is the way things happened. At least, for example, with respect to section 301 tariffs, like we've had so many clients that had to quickly realign all there, I mean, you have contracts with suppliers and you're not going to be able to raise your prices for three to five years. And we saw that rolled out so quickly with no heads up to industry. That's sort of my, I understand why we need to realign for national security, et cetera, but the way it was rolled out. And one of the conversations we had, was focusing on should we have seen it sooner? Like did we know about it? Why didn't we know about it? And then ultimately, industry kind of has to scramble. But ultimately, finally, at least in my practice, we're finally starting to see industry react to, "okay, this is here to stay." Like things are not going to get better because for a few years, oh, well once you know President Trump is done, then maybe the next administration is going to roll back some of these new things that we have implemented with respect to China. And I think people finally we're getting calls. I don't know you about, okay, we are rethinking our supply chain. We are thinking of moving from, not all of it, typically, they're just doing partial movement of supply chains, out of China, Thailand, we're seeing Vietnam, also some Philippines. But finally, what I feel like people realizing the threat is too high. The geopolitical risk, we cannot absorb it anymore. It's not going to get better anytime soon. It may get worse. And people hearing about Taiwan and all of that in the news. So, in terms, and that's great. You did so great in terms of compressing an hour-long presentation into five minutes. So, that's very helpful. But in terms of companies that may be listening, typically our listeners are compliance folks, in-house counsel, what will you say in terms of de-risking from China?

**Matt Bell:** Well, there's multi-facets to de-risking from China, right? If you fully try to decouple from China, right? That runs its own risk. We've seen companies recently who've made announcements that they're leaving China and then they're suddenly under investigation for, whether it's cybersecurity, whether it's data privacy with all the new data privacy laws, whether it's tax

reviews, employment, legal reviews because of how they're trying to terminate employment relationships. So, I see what you have said, which is more common, is a partial change of supply chain, right? And so, it's spreading the risk, which is a way of de-risking. And many times, we look at our customers that manufacture something, right? Our clients, and they'll say, well, we don't want to have the sole source of a particular critical item. We need three sources. Well, in the past, some of those companies had three sources, but they were all in China. Or they had three manufacturing plants. But they were in very different geographical locations, even within China because some were inland, some were near the coast, some were up north. And so now they're re-looking at that map saying, okay, we have to treat China as one and it's a risk point because it's a geopolitical risk. It's not about an earthquake or a tsunami, or this going offline, or this particular company going out of business. We have to look at it as a country being a risk. And that's when you see companies moving out saying, okay, well I need some production capacity in Vietnam or Malaysia or nearshoring to Mexico for North America or just the America's in general.

**Olga Torres:** Or friend shoring, they are calling it.

**Matt Bell:** And you see that happening as a way to de-risk, but you got to be careful in some ways about how much you publicize that and what you say about it and where you're going to sell products from and how much exposure and risk you want to have. I know some companies are looking to keep their partial operations in China, but no longer own them. They're kind of spinning them off or selling them into their own entity that's owned maybe by the employees. Or maybe it's owned by, maybe they had a JV partner and they're having the JV partner take over majority. And so, they're still going to have the relationship, but they're de-risking so that if they ever have a Russia scenario. What happened with Russia? Well, everyone just had to pull out and like drop everything and it's, they couldn't sell their interest. And now Putin is nationalizing some of those interests. And they're looking at that playbook and saying, okay, I don't know if it'll look exactly the same, but the government has a pension for reusing the same tools over and over. If you think back to the 2014 Crimea invasion with Russia, and I'll tie this to China. I know we're focused China. They started controlling things by HS code for export. That didn't happen before.

**Olga Torres:** Yeah.

**Matt Bell:** What'd they do now with the new rules? They started controlling luxury goods, another thing by HS code. So, what might happen in China? Well, it could be sectoral sanctions against industries. We're already kind of

seeing a soft, it's not even that soft, semi difficult sectoral sanction on the semiconductor industry in China, right? So, sector focused. It could be HS code based. It could be investment restriction focused. We're seeing more and more of that coming. So, when you de-risk, you really have to think about it even from trade and all these different aspects of, okay, is it the ownership of the entity? Is it the production? Is it the inputs that are going into it?

**Olga Torres:** And I'm thinking FDPR enforcement, right?

**Matt Bell:** Yes.

**Olga Torres:** Like we just had that recent case. And even foreign companies that don't necessarily, that they're producing foreign products using U.S. equipment or technologies or inputs, they have to think about de-risking, as well. Especially in light of the recent enforcement action, it was 300 million dollars.

**Matt Bell:** Yeah. For sure. Well, I think people are looking at that supply chain in a much more nuanced way because it's up your supply chain to each component manufacturer and what equipment are they using, and you either throw your hands up and say everything's subject to U.S. jurisdiction, or it's really difficult in some industries to make a truly U.S. jurisdiction free product. And I think that's the key for the semiconductor controls is you can't make them without U.S. touching somewhere. If that calculation ever changes and we don't have alignment with coordination's like the Netherlands or Japan or Korea or Taiwan or some of these other critical nations, then that control no longer works. And I think they're trying to apply that pressure where they have those choke point capabilities.

**Olga Torres:** Yeah. And in terms of the de-risking, the conversation it's more U.S. focused, even international companies that may have some U.S. technology input in their supply chain. But you have worked for high profile Chinese companies in the U.S. and we're seeing a lot of pressure. We hear about things like TikTok all the time. And a lot of emphasis on Chinese companies operating in the U.S. What would be your recommendation to Chinese companies that are compliant companies? They have good cultures of compliance, and they support compliance. And specifically in light of the fact that there appears to be a lot of political sentiment that I don't think as a whole, the U.S. right now agrees on a lot of things.

Yeah. But the one thing that we are in agreement is typically China. So, it must be very difficult to be a Chinese company operating in the U.S. And I almost

wonder could there be some kind of bias against them and how do you navigate that? In this new geopolitical world of, especially now in light of China also taking action. I was reading this morning about the new national security law or espionage law, and they apparently went to consulting high profile consulting companies in in China that are doing due diligence reviews in China. It's becoming very political very quickly, but also very challenging. I mean, if you're in China, for example, so if you're operate operations in the U.S. but you also have operations in China, you're risking not being in good terms with one of the two governments, maybe both governments for all, you know. Because you're navigating so many different types of issues. So, what would be your recommendation? And I know that's a really difficult question to answer. Time

**Matt Bell:** No. Well, I would start with, you said you're wondering if there's bias. The answer is absolutely there is bias, right? I mean, I was sitting across the table from numerous government agencies and law enforcement officials, and I can guarantee you there is bias. If you just look at the public statements of our elected officials in Congress in the Senate, there is clearly bias. I mean, at BIS update last year, the undersecretary's speech. This was a direct quote, China bad end quote. Not a lot of nuance, not a lot of these types of companies, right? I mean that's true. That's a statement from the keynote speech. Russia, bad China, bad allies good. And it's almost that way in some of them, not everyone in government has that view. But some in power do. And so, there's clearly a bias, and there's this, if you are from a Chinese company and you're trying to operate in the U.S., you're at a huge disadvantage. You have a lot of skepticism. Your ability to grow in that market is limited and the growth itself is what brings additional scrutiny. If you're a smaller player, maybe no one cares as much, but once you become a major player, then everyone is looking at you.

I think the recommendation is you just have to be aware of those things. Understand which market you operate in. Because industry is key to how much scrutiny you will receive. There's a certain level of just generic China involvement, scrutiny. But if you're involved in high tech, if you're a Chinese company trying to partner and share IP and joint venture develop with artificial intelligence right now. Probably not going to get a lot of approval. You're going to get shut down. You're going to have people crawling all over you. Now, if you want to continue to sell apparel, like you want to make T-shirts. No one's going to care as much about that particular industry. I think it's nuanced depending on what industry those clients are in, what advice you can give them, or I could give them. But I do want all of my clients to go in with the reality check of knowing exactly what is happening geopolitically and don't have any disillusionment that you're going to be different, or you are compliant, you do follow the rules, you haven't broken the law, so you should be able to operate.

Because if you look at the use of export controls, and especially the list, right, the entity list is a great example. It used to generally require you to break the law to get on it. It doesn't anymore. It hasn't for a number of years now. If you're suspected of being involved in something, if you're doing something that's perfectly legal, but contrary to the interest of the United States, now you are at risk of being put on some of these lists.

And it's not enough to just follow the law and be compliant. It's kind of like secondary sanctions risk, but it's now expanded to certain technologies, certain products, certain activities. That gets you put on a list, or maybe you get banned by the FCC in the U.S. from being able to sell into the telecom network. Maybe you get a procurement ban from U.S. government. There's all these other triggers now and levers that they're using that they didn't used to think about, they didn't used to use in that way. But you can just do some simple Google searching and start figuring out. It's a whole government approach and there is definitively a bias against Chinese companies.

**Olga Torres:** If you had a situation where, let's say you had a Chinese company find out they had some violations and you had to disclose to one of the agencies, will you be more hesitant, or will you be more careful in a disclosure? Just because they are Chinese, do you think it's as bad as that they would actually be more aggressive just because of the Chinese involvement? I mean, I know it depends on the facts and I know it depends on whether, dual use or other, but I'm just still amazed that you think that that could happen?

**Matt Bell:** Well, I think it definitely can happen. I mean, they have to have prioritization of all their enforcement cases and their investigations and involvement of a Chinese company is a problem. I mean, because if you think about, if a Chinese company has violations, it's almost certainly going to be what we would call substantive violations as opposed to a technical violation, right? I've got a U.S. client who ships something to the UK after a license had expired. They would get a new one. It would definitely be issued. It's a technical violation. No one cares in enforcement really just fix it.

**Matt Bell:** So, I think those politics absolutely play into the decisions made at all levels of government as to which cases to pursue, how aggressively, which ones to penalize and publicize and which ones to do a warning letter. All of that factors in. And our clients shouldn't be naive to think they don't.

**Olga Torres:** Yeah. And it's getting to the point where I've heard a lot of lawyers and law firms, like we do not represent Chinese parties and we don't represent such and such parties. And I always find it so interesting because I

feel like we are like doctors. We should represent whoever needs representation. I mean, with checking conflict of interest and such. But, okay, moving on. We've been hearing all over the news, potential invasion of Taiwan and a lot of statements by the U.S. administration whether we would help or not help. And what are your thoughts on that?

**Matt Bell:** It's a touchy question to answer. I was just in Taiwan recently, actually last week and I talked to a number of people on the ground, just kind of over coffee, over lunch, just kind of what are your thoughts. Like what does the average Taiwanese person think about this? And it was kind of split. About half of them thought it's a legitimate and this is a small sample, right? A total of like 10 people in these conversations. But they're informed legal and compliance professionals that I'm talking to. I wasn't talking to the front desk clerk at the Marriott I stayed at or whatever. I mean, these are the people I was meeting with in meetings for business. And about half of them think about it somewhat regularly and really have thought through like they don't think it's, they hope it doesn't happen. They just want to continue with peace, but they're kind of prepared for it to happen. And the other half just ignore the issue because they don't want to think about it. And I don't think that's an option for a lot of our clients. As a business you have to plan. But at some level, you have to look at the indicators of what China is doing. I mean, public statements by President Xi on multiple occasions that he will unify China and bring Taiwan into the fold before he leaves office. Well, he's done away with term limits, so he has as long as he can live potentially to accomplish that. They have drastically increased their military. I think one of the things I showed in that Miami conference was like, there's three slides that show the growth of the military from 2000 to 2020 and kind of just with a picture and graphics like boom, boom, boom. It's just growing like crazy. But it shows this growth and by 2025, which is not very far away, it was expected to almost double again. So, they will be the largest by count military. And in some categories, they already are. I saw a headline the other day, they actually have more ships than the U.S. military right now. We just have better ships, right?

**Olga Torres:** We have better technology.

**Matt Bell:** And so there's that aspect of counting things. Are they preparing for something, right? China used to always be about where sovereignty are territorial borders, like we're creating a protective, defensive posture, military. Now President Xi is saying they need to be capable of winning wars and it sounds like it's more expeditionary, right? Like we need to be able to go and win something, not just sit home and protect. Which is fascinating. And if you also look at the sovereignty issue, it's like, go look at their South China Sea

claims, which have been struck down by international bodies as outrageous. They've had more territorial disputes over sovereignty than almost any nation. Right? Look at Tibet, look Xinjiang, look at Taiwan. Look at Northern the Manchuria that's now part of Russia because of a bad deal they feel like they made decades ago with Russia or the Soviet Union back then.

But there's this talk, but then there's reality and I think that's where we have to be very careful with China on. Will they invade Taiwan? I don't know. But it would be a very difficult military operation to take the island and not destroy everything of value. They really want semiconductor technology. TSMC has it. They have a huge market share. There's debates all the time about whether the U.S. would basically sabotage TSMC would Taiwan itself sabotage TSMC, would China accidentally blow up TSMC in their attempt to kind of bomb the island, if they didn't have the smartest bombs that they're using. And I heard one estimate that the amphibious assault, because it's a mountainous country. If you haven't been there, it's not like it's all sandy beaches and you just kind of pull up in your landing craft and march onto the island. It's hard to get on there. There's only a few beaches where you could land and there was an estimate that it would take five times as many troops and amphibious vehicles than we used on D-Day, five times.

**Olga Torres:** Wow.

**Matt Bell:** To ensure that you could take it. Is that really within the cards for them to do? I think they're going to try a lot of other things. Taiwan has a huge trade relationship with China and China depends on that, right. For chips and other things. But there are other kind of the blockades, the siege mentality of like, starve them out, hurt their economy. I think it's more likely you see some of those pressure campaigns in the nearer future.

**Olga Torres:** Even I would think even political campaigns.

**Matt Bell:** Yes.

**Olga Torres:** Finding candidates that support your cause will make a lot more sense.

**Matt Bell:** Yeah. But I don't think there's an imminent military assault coming. I hope with everything. I pray that I'm correct about that. I'm not proven wrong. Well, I do think there are other aspects of what they can do.

**Olga Torres:** We had the former, the Retired General come on the podcast, and he basically said the same thing. And that entire week, I just remember hearing so much in the news spot, they're conducting exercises and they're going to invade. And I was just like, oh my God, it's going to happen. And after that, I thought about it. Yeah, it makes sense. I myself, I think I wouldn't do it right. They've benefited so much from this new world order of, they have this authoritarian regime, but they're still trading with everybody and pretty much everybody relies on them for their supply chain. So why risk it with a war that you don't know a hundred percent if you're going to win?

**Matt Bell:** And I would hope the Russia, Ukraine situation would give President Xi some pause to say, I mean there was people saying Russia. I mean U.S. intelligence, the five eyes intelligence, I'm sure China's intelligence we're all saying, oh, Russia's going to win this thing at most in a week. Some people thought within a day, two days, and we're over a year and two months removed from that. And it's still ongoing. And we're seeing notes about a Ukraine offensive, and Russia's cut off here and the Wagner group's pissed off about something. It's like you're looking at all these things and you're like, surely that experience of like how bad that intel must have been and how much they weren't able to take over that that nation will flow through in the thinking of the Taiwan situation. Not that there's any positive from what has occurred in Ukraine. But if it gives that pause, maybe it's at least a benefit on the Taiwanese people that there's going to be a hesitance to attempt that.

**Olga Torres:** And I feel like the Chinese have way more to lose than the Russians. I feel like just the size of their economy. And so that's interesting. But I'm glad I'm hearing the same from you and a couple of other people. So that gives me some hope. Closing remarks, in terms of compliance, watching out for geopolitics and how that can impact their supply chain and their compliance operations all over the world. What would be your closing remarks?

**Matt Bell:** I think it's what I talk to all my clients about, which is trade has become political. And so yes, you need to have a trade compliance program. You need to understand how to follow the law and make sure that you do. But where your real benefit as a trade professional is to your management and your companies is to be able to see these bigger pictures and plan and prepare for what are likely to be inevitable escalations. Like the U.S. China relationship, I don't see any chance, regardless of who wins the next election in the U.S. which party, it is bipartisan and it's not changing. And as long as President Xi's in power and we continue to see the direction he is taking China. It's not going to get better. So, start preparing now, whether that's partial decoupling and de-risking of your manufacturing footprint, whether that is, you know, not focusing

on China as your growth market for your product. And you need to find other markets to grow in and don't project to your shareholders, Hey, we're going to grow 30% in China next year because you don't know what could totally derail those things. And you probably need to be looking at maybe scaling some of those things back.

It's really getting trade professionals to think outside of the historic regulatory box, what does it say I can and can't do right now? And really look at how to become a strategic advisor. Because trade and trade policy has become national security and foreign policy on steroids more than ever.

**Olga Torres:** Matt, thank you so much for agreeing to visit with us today. And thank you to our listeners for tuning in. We'll bring you more of Torres Talks Trade next week. Please stay tuned in.