

## U.S. Department of Commerce Adds 34 Parties to the Entity List

The U.S. Department of Commerce's Bureau of Industry and Security (BIS) yesterday published a Final Rule in the Federal Register, adding 34 entities (under 43 total entries) around the world to its Entity List.<sup>1</sup> This move, announced on July 9, effectively bars these companies from receiving nearly all U.S. origin goods and technologies. These additions are based on allegations that the entities are enabling human rights abuses in the Xinjiang region of China, assisting the Chinese military, and violating export regulations on Iran and Russia.

Last week's move continues a campaign by the Biden administration to crack down on certain sectors of China's economy, dovetailing an addition of five companies to the Entity List last month, including a solar panel manufacturer. Separately, yesterday's final rule removes one company in Germany from the Entity List.

The Entity List is a tool the BIS uses to restrict the export of items to listed companies and individuals from the United States, targeting organizations and individuals allegedly involved in activities contrary to the U.S. national security and foreign policy interests. The list's prominence has increased in recent years with the addition of Chinese companies.

### Named Entities and Licensing Policies

Specifically, 19 of these 34 companies were listed for assisting with detention and high technology surveillance used over the Uyghurs, Kazakhs, and other Muslim minority groups in the Xinjiang region of China. The remaining 16 were listed for exporting military end-use technology to Iran, Russia, and the UAE. One Russian company was separately added to the BIS's Military End-User (MEU) list, a listing which prevents Entity List-named entities from utilizing many license exceptions.

Fourteen Chinese companies were involved in electronics and surveillance technology. Five of the added Chinese companies attempted to help modernize the People's Liberation Army of China in its use of lasers to damage the eyes of pilots of approaching boats and

aircraft. The additions also included eight Iranian companies for facilitating shipments of American products to Iran and six Russian entities for procuring U.S. electronic components to aid Russian military programs. It added one UAE company for helping proliferate nuclear activity.<sup>2</sup>

Notably, some of these entities are also listed under other jurisdictions, such as Lebanon, The Netherlands, Pakistan, Singapore, South Korea, Taiwan, Turkey, and the United Kingdom.

While the limitations imposed on named parties can vary, any exports of technologies subject to the U.S. Export Administration Regulations<sup>3</sup> (the "EAR") will require a BIS license. While technologies falling under certain Export Control Classification Numbers (ECCNs) will be subject

1. 15 CFR Part 744, Supplement No. 4.

2. <https://public-inspection.federalregister.gov/2021-14656.pdf>

3. 15 CFR Parts 730-774.

CANADA		Karim Daadaa
CHINA	Electronics Information Technology	China Academy of Electronics and Information Technology Xinjiang Lianhai Chuangzhi Information Technology Co., Ltd.; Leon Technology Co., Ltd. Xinjiang Tangli Technology Co., Ltd. Shenzhen Cobber Information Technology Co., Ltd. Xinjiang Sailing Information Technology Co., Ltd. Beijing Geling Shentong Information Technology Co., Ltd. Tongfang R.I.A. Co., Ltd. Shenzhen Hua'antai Intelligent Technology Co., Ltd. Chengdu Xiwu Security System Alliance Co., Ltd. Beijing Sinonet Science & Technology Co., Ltd. Urumqi Tianyao Weiye Information Technology Service Co., Ltd. Suzhou Keda Technology Co., Ltd. Xinjiang Beidou Tongchuang Information Technology Co., Ltd. Hangzhou Hualan Microelectronics Co., Ltd. Kyland Technology Co., Ltd Armyfly Kindroid Beijing Hileed Solutions Co., Ltd. Beijing E-Science Co., Ltd. Info Rank Technologies; and Wingel Zhang
	Laser supply	Wuhan Raycus Fiber Laser Technologies Co., Ltd.
RUSSIA	Electronics	OOO Teson Radiant Group of Companies OOO TradeComponent Andrey Leonidovich Kuznetsov Margarita Vasilyevna Kuznetsova Dmitry Alexandrovich Kravchenko
IRAN	Biomedical Engineering	Payam Nabavi (individual) Modern Agropharmaceuticals & Trade Establishment Sina Biomedical Chemistry Company
UAE	Trading	TEM International FZC

to a case-by-case review for certain of the entities named, with a presumption of denial. Notably, in contrast with designations onto the List of Specially Designated Nationals and Blocked Persons (the “SDN List”) maintained by the U.S. Department of the Treasury’s Office of Foreign Assets Control (OFAC), Entity List designation does not on its own prohibit importations from these parties, nor does it constitute a ban on financial transactions with them.

### Impact

The Entity List is continually growing. Limitations arising from Entity List designations can vary from prohibitions on certain categories of technologies to a full ban on the receipt of virtually any U.S.-origin goods.

Designation to the U.S. Entity List can have devastating effects extending far beyond what is required by law. While prohibitions are on U.S.-origin technologies reaching a listed party, the impact of the Entity List extends beyond the United States. Due to ‘de-risking’ and the increasing adoption of U.S.-style compliance standards by companies globally, concerned local and third-country vendors and service providers such as financial institutions, suppliers, and shippers will often limit or prohibit business with the designated entity out of fear of perceived risk. Almost overnight, a “domino effect” is set in motion, choking off a company’s commercial opportunities.

## Next Steps

In response to these additions, companies dealing in EAR-regulated goods should evaluate their operations to ensure they avoid any dealings, direct or indirect, with listed entities. These listings are likely to be of particular concern to companies that:

- (1) Are in the high technology space;
- (2) Have or have had operations in China, Russia, and Iran;
- (3) Have supply chains touching these countries; and
- (4) Have a cooperation history with any of the listed companies.

They should also seek to understand the true reason for the company's listing. While the Entity List does not prohibit all dealings with listed companies, it prohibits the exportation of many goods to these companies and may prompt other countries to sanction these companies.

All major U.S. and international companies engaged in the technology and electronics space or otherwise with China should examine their supply chains to determine whether they export any goods to the listed companies, refer to the BIS's Commerce Control List to determine if any of the items they export to the companies are prohibited when these companies have been added to the Entity List, and alert company compliance and high-ranking personnel to the possibility of a necessary supply chain or customer change.

After engaging in adequate due diligence and alerting the necessary employees, companies should modify their compliance approaches and supply chains accordingly to avoid prohibited transactions with listed companies, perhaps avoid transacting with these companies altogether, and alert all company employees to these developments.

*Special thanks to Associate Jaime Rosenberg and Summer Associate Dominique Rouge for their assistance in preparing this Client Alert.*



**Farhad R. Alavi**

Partner

[falavi@akrivelaw.com](mailto:falavi@akrivelaw.com)

+1.202.686.4859

*This Client Alert is intended solely for informational purposes and should in no way be construed as legal advice.*

*If you have any questions or are unclear on any of the subject matters addressed or discussed on this Client Alert, please consult a licensed legal professional.*