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BUREAU OF INDUSTRY AND SECURITY

December 15, 2022

Office of Congressional and Public Affairs

<https://bis.doc.gov>

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Commerce Adds 36 to Entity List for Supporting the People's Republic of China's Military Modernization, Violations of Human Rights, and Risk of Diversion

Cooperation Allows Department to Remove 25 Parties from Unverified List after Successful End-Use Checks

WASHINGTON, D.C. – Today, the Commerce Department's Bureau of Industry and Security (BIS) released two rules. The first rule adds 36 entities to the Entity List which applies stringent license requirements that will severely restrict these entities' access to commodities, software, and technologies subject to the Export Administration Regulations (EAR). These entities are primarily located in the People's Republic of China (PRC) with one entity, which is a subsidiary to a PRC entity being added in this rule, located in Japan.

The second rule removes entities from the Unverified List (UVL) due to satisfactory completion of End-Use Checks (EUCs) and verification of those entities' *bona fides*, including in cooperation with the PRC government. A net total of 25 Chinese parties are being removed from our restricted party lists. The second rule also adds 9 Russian parties to the Entity List from the UVL due to the inability to complete EUCs.

"Today we are building on the actions we took in October to protect U.S. national security by severely restricting the PRC's ability to leverage artificial intelligence, advanced computing, and other powerful, commercially available technologies for military modernization and human rights abuses," **said Under Secretary of Commerce for Industry and Security Alan Estevez**. "This work will continue, as will our efforts to detect and disrupt Russia's efforts to obtain necessary items and technologies and other items for its brutal war against Ukraine, including from Iran."

"Today's rules further the Biden Administration's efforts to deny the PRC access to advanced technologies for military modernization and human rights abuses," **said Assistant Secretary of Commerce for Export Administration Thea D. Rozman Kendler**. "Following on BIS's advanced computing and semiconductor manufacturing equipment rule of October 7, today's additions to the Entity List further our efforts to decisively restrict access to advanced technologies in furtherance of U.S. national security requirements."

"Our new end-use check policy requiring the timely completion of end-use checks by host governments to avoid placement on our Unverified and Entity Lists is yielding results," **said Assistant Secretary of Commerce for Export Enforcement Matthew S. Axelrod**. "When a

host government facilitates a check that results in our ability to confirm a company's bona fides, the company comes off the Unverified List, as demonstrated by today's 25 removals of Chinese companies from our restricted party lists. But when a host government persists in preventing a check, there are real consequences, as demonstrated by today's addition of 9 Russian parties to the Entity List."

The text of the rules released today are available on the Federal Register's website here: [\[link\]](#) and here [\[LINK\]](#). The effective date for both rules is December 16, 2022.

Additional Information on Today's Rules:

The first rule released today further the Biden Administration's ongoing work to confront the PRC's efforts to obtain and leverage advanced technologies including artificial intelligence (AI) for its military modernization efforts and human rights violations. This rule also furthers the Administration's response to Russia's ongoing war of aggression in Ukraine by cracking down on a key supplier of components for Iranian drones and designating certain entities as Russian-Belarusian Military End Users for continuing to supply the Russian military after the imposition of export controls. Additional information on the entities added to the Entity List by this rule follows:

PRC Military Modernization: Thirty of the entities being added to the Entity List are being added, broadly, for a variety of activities related to acquiring and attempting to acquire U.S.-origin items in support of the PRC's military modernization. This includes:

- Twenty-one entities are major artificial intelligence (AI) chip research and development (R&D), manufacturing, and sales entities that are or have close ties to government organizations that support the PRC military and defense industry. The Entity List FDP rule under section 734.9(e)(2) with a footnote 4 designation on the Entity List is also being applied to these entities, which will severely restrict their ability to obtain U.S.-origin technologies and other items produced in foreign countries if they are produced using substantial U.S. technology, tools, or other inputs or components.
- Two entities are being added for acquiring or attempting to acquire U.S.-origin items in support of the PRC's military modernization.
- Seven of the entities engaged in supporting the PRC's military modernization have demonstrable direct ties to activities of concern. These include hypersonic weapons development, design and modelling of vehicles in hypersonic flight, designing and producing ballistic missile radomes, using proprietary software to model weapons design and damage, and other efforts to support military-civil fusion activities tied to the PLA Air Force and Navy.

Risk of Diversion to Other Entities on the Entity List: Four of the entities are being added due to their significant risk of becoming involved in activities that could have a negative impact on the national security or foreign policy of the United States, including the risk of diversion of items produced by these entities to parties currently on the Entity List.

Human Rights Violations and Abuses: One entity is being added for engagement in or enabling activities contrary to U.S. foreign policy interests including implementation of China's campaign

of repression, mass arbitrary detention, and high-tech surveillance against Uyghurs and other Muslim minority groups in the Xinjiang Autonomous Region (XUAR), as well as enabling the procurement of U.S.-origin items for use by Iran’s Islamic Revolutionary Guard Corps (IRGC).

Additional Restrictions for “Russia Backfillers”: On June 28, 2022, BIS publicly identified ([link](#)) two parties located in the PRC that have been on the Entity List since 2018 for having supported, or continued to support, Russia’s military (“backfilling”) since the imposition of new export controls. Today, BIS is modifying the Entity Listing for these two entities, by designating them as Russian ‘military end users’ and applying the Russia/Belarus-Military End User Foreign Direct Product rule which effectively cuts them off from all U.S.-origin technologies and other items even if they are produced abroad, and even requires case-by-case review and approval by BIS for food and medicine designated EAR99.

Support for Iranian Drone Production: One entity is being added to the entity list for facilitating the illegal export of U.S.-origin electronics to Iran for use in the production of military unmanned aerial vehicles and missile systems.

Changes to the UVL

The second rule released by BIS today removes 36 total entities from the UVL, including PRC and Pakistani entities removed based on BIS’s successful completion of EUCs. In total across both rules published today, 25 entities in the PRC and one party in Pakistan are being removed from BIS restricted party lists.

Additionally, nine entities based in Russia for which there has been sustained prevention of the completion of end-use checks have been removed from the UVL and added to the Entity List. These entities are now subject to a license requirement for all items subject to the EAR, and license applications will be reviewed under a policy of denial.

Two PRC entities that were on the UVL—Yangtze Memory Technologies Co, and Shanghai Micro Electronics Equipment (Group) Co., Ltd – are being added to the Entity List for reasons not related to host government actions preventing completion of an end-use check.

This is the first rule issued pursuant to the changes to the EAR released in October clarifying that sustained lack of cooperation by a host government that effectively prevents BIS from determining compliance with the EAR, including the timely scheduling of End-Use Checks by a foreign government, is grounds for adding an entity to the Entity List. The text of that rule and the implementation policy memo are available here ([link](#)) and ([link](#)), respectively.

Additional Background on the Entity List

These BIS actions were taken under the authority of the Export Control Reform Act of 2018 and its implementing regulations, the Export Administration Regulations (EAR).

The Entity List ([supplement no. 4 to part 744 of the EAR](#)) identifies entities for which there is reasonable cause to believe, based on specific and articulable facts, that the entities—including businesses, research institutions, government and private organizations, individuals, and other types of legal persons—that have been involved, are involved, or pose a significant risk of being

or becoming involved in activities contrary to the national security or foreign policy of the United States. Parties on the Entity List are subject to individual licensing requirements and policies supplemental to those found elsewhere in the EAR.

Entity List additions are determined by the interagency ERC, comprised of the Departments of Commerce (Chair), Defense, State, Energy, and where appropriate, Treasury, based on specific and articulable facts that the entities have been involved, are involved, or pose a significant risk of being or becoming involved in activities contrary to the national security or foreign policy interests of the United States.

The ERC makes all decisions regarding additions to, removals from, or other modifications to the Entity List. The ERC makes all decisions to add an entity to the Entity List by majority vote and makes all decisions to remove or modify an entity by unanimous vote.

Additional information on the Entity List is available on BIS's website at:
<https://bis.doc.gov/index.php/policy-guidance/faqs>

For more information, visit www.bis.doc.gov.