

# BUREAU OF INDUSTRY AND SECURITY

## UPDATE CONFERENCE ON EXPORT CONTROLS AND POLICY

MARCH 18-20, 2025



# China Workshop

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# Workshop Outline

1. Policy Rationale
2. Regulatory Framework
3. Identifying Red Flags and Using Best Practices
4. Q&A Session



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# Policy Rationale

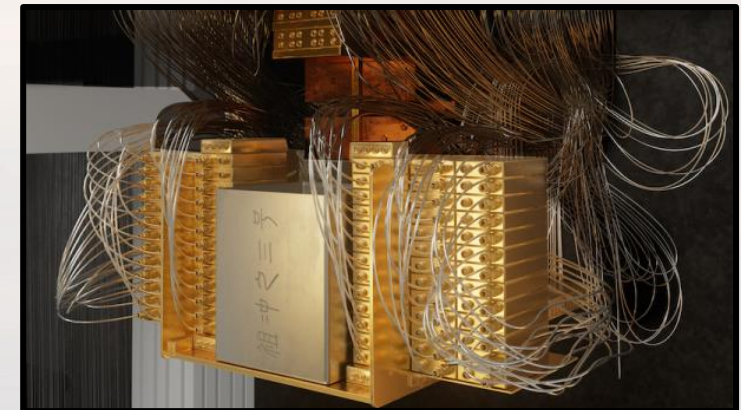


# PRC Military Modernization

- Developing the People's Liberation Army (PLA) into a “world class military” by 2049.
  - “Fight and win wars” against a “strong enemy”,
  - Counter an intervention by a third party in a conflict along the PRC's periphery, and
  - Project power globally.
- Pursuing next-generation combat capabilities called “intelligentized warfare.”
  - Defined by the expanded use of AI, quantum computing, big data, and other advanced technologies at every level of warfare.
- Supporting PRC's military-civil fusion (MCF) strategy.
  - “...share resources and production factors between the military and civilian sectors.” – 20<sup>th</sup> Party Congress



*PLA Dongfeng-17 equipped with a hypersonic glide vehicle.*

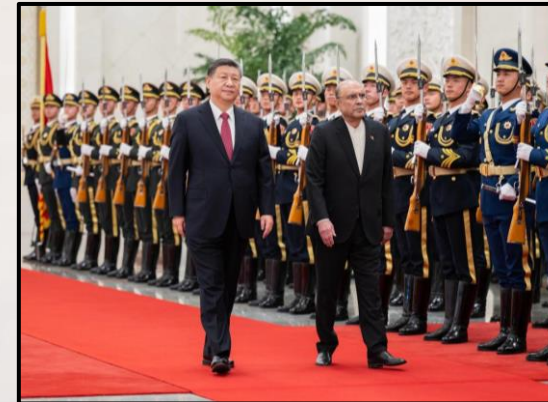


*Chinese quantum processor, Zuchongzhi 3.0*



# Diversion

- Contributes to other nations' WMD programs and defense industrial bases.
- Supplies:
  - DPRK
  - Iran
  - Pakistan
  - Russia
- Rely on low tech, widely commercially available components made with U.S. technology.



*Xi Jinping with heads of state from DPRK, Iran, Pakistan, and Russia: Kim Jong Un (top left), Hassan Rouhani (top right), Asif Ali Zardari (bottom left), and Vladimir Putin (bottom right).*



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# Regulatory Framework

# Regulatory Framework

- A policy to deny the export, reexport, or transfer within the PRC of ITAR defense articles and munitions items and commercial satellites and firearms under the EAR.
- A license is required for all multilaterally controlled items subject to the EAR when destined to the PRC and reviewed for risk of contribution to the PRC's military capabilities.
- Many commercial items identified on the CCL require a license when destined to military end uses or end users in the PRC.
- All items subject to the EAR require a license when destined to certain proliferation-related activities or military-intelligence end uses and end users in the PRC.
- Unified export licensing policy for the PRC, Hong Kong, and Macau to address diversion to the mainland.



# Advanced Chips and Semiconductor Manufacturing Equipment Rule

- Controls on 24 types of semiconductor manufacturing equipment and 3 types of software tools for developing or producing semiconductors.
- New controls on Electronic Computer Aided Design (ECAD) and Technology Computer Aided Design (TCAD) software and technology when items will be used for the design of advanced-node integrated circuits.
- New controls on high-bandwidth memory (HBM) critical to both AI training and inference at scale.
- New red flag guidance to address compliance and diversion concerns
- Semiconductor Manufacturing Equipment (SME) FDP: Extends jurisdiction over specified foreign-produced SME and related items if there is “knowledge” that the foreign-produced commodity is destined to Macau or a destination in Country Group D:5, including the PRC
- Footnote 5 (FN5) FDP: Extends jurisdiction over specified foreign-produced SME and related items if there is “knowledge” of certain involvement by an entity on or added to the Entity List with a FN5 designation.



# Foundry Due Diligence Rule

- Provides detailed guidance on how to conduct due diligence to confirm that an IC does not exceed the performance thresholds specified in EAR controls.
- Imposes a broader license requirement for foundries and packaging companies seeking to export certain advanced chips.
- Creates a process for new companies to be added to the list of Approved IC designers and OSATs.
- Improves reporting for transactions involving newer customers who may pose a heightened risk of diversion

# Iran Sanctions and Export Controls

- Iran is subject to an arms embargo and designated state sponsor of terrorism.
- The Department of the Treasury's Office of Foreign Assets Control (OFAC) is responsible for implementing the majority of trade sanctions on Iran. In limited cases, a license may be required from both BIS and OFAC, but exporters are not required to seek separate authorization from BIS for an OFAC-authorized transaction.
- BIS maintains additional license requirements and issues licenses for deemed exports and reexports, as well as transactions involving Iranian parties listed on the Entity List.
- BIS additionally controls exports from abroad and reexports by foreign persons of nearly all items listed on the CCL and certain items identified by 53 HTS codes that cover items that Iran relies on for UAVs and missiles but cannot produce indigenously.
  - This includes foreign-produced items destined to Iran or involving the government of Iran that are produced using certain U.S. software, technology, and production equipment.



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# Identifying Red Flags and Using Best Practices

# Red Flags

- Inconsistencies with name (To whom are you selling?):
  - Similar name to Entity Listed party.
  - English and foreign name variants don't match.
  - Use of commercial alias and subsidiaries for state-owned research institutes and factories.
- Inconsistencies with contact information (To whom are you selling?):
  - Country codes/phone number country codes don't match.
  - Similar address to Entity Listed party.
  - Co-location with entities of concern, including university campuses.



# Red Flags

- Inconsistencies with item end use (What are you selling and what will it be used for?):
  - Unrealistic or generic terms for end use of item.
  - Paperwork has inconsistencies for specified item.
- Inconsistencies with shipping routes (To what country is it going?):
  - Abnormal/inconvenient shipping routes.
  - Use of Company Secretaries, company not actually in Hong Kong.
  - Shipping through multiple freight forwarders and trading companies to hide destination.
- Little/no web presence.



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[Data Visualization](#) Due Diligence Investigation Services

### CSL SEARCH

Search the Consolidated Screening List (CSL)

Search all [the screening lists](#) at one time by filling in the search boxes below.

If you get too many results, try including more information to the additional fields. If you get too few results, try including less information at a time.

#### Name

Search for an entity's name or one of its alternative names.

#### Fuzzy Name

When set to "off", the spelling of the Name you search for must be correct to get results. When set to "on", the Name you search for may be slightly off from the exact spelling. Check the score for each result to determine the entity's name or its alternative names. A score of 100 is an exact match. Results are returned with fuzzy search filters out the following common words: co, company, corp, corporation, inc, incorporated, organization, sa, sas, llc, university, and univ.

For example, "Water Corporation" returns the same results as "Water" because "Corporation" is one of the

Off

#### Address

Search for the street address, city, province, and postal code of an entity.

#### Sources

Choose which of the screening lists that you want to search.

Select...

#### Countries

Choose which countries that you want to search. Note, the Nonproliferation Sanctions and ITAR Debarred country with an entity. If you choose to search for entities by country then you will not be searching the

Select...

[www.trade.gov/data-visualization/csl-search](http://www.trade.gov/data-visualization/csl-search)

[www.federalregister.gov](http://www.federalregister.gov)

## Lists of Parties of Concern – Consolidated Screening List

### Consolidated Screening List (CSL) includes:

- Department of Commerce
  - Entity List
  - Unverified List
  - Military End-User List
  - Denied Persons List
- Department of State
  - AECA Debarred List
  - Nonproliferation Sanctions
- Department of the Treasury
  - Specially Designated Nationals List (SDN)
  - Foreign Sanctions Evaders List
  - Sectoral Sanctions Identifications List (SSI)
  - Palestinian Legislative Counsel List (PLC)
  - Correspondent Account or Payable-Through Account Sanctions (CAPTA)
  - Non-SDN Menu-Based Sanctions List
  - Non-SDN Chinese Military-Industrial Complex Companies



# BIS Lists of Parties of Concern

- **Entity List**
  - A list of foreign parties for which an exporter, reexporter, or transferor must obtain a license to export, reexport, or transfer (in country) all items subject to the EAR or a subset thereof. These parties have been determined to present a greater risk of diversion to WMD programs, terrorism, or other activities contrary to U.S. national security and/or foreign policy interests. By publicly listing such parties, the Entity List is an important tool to prevent unauthorized trade in items subject to the EAR. See Section 744.11 of the EAR.
- **Unverified List**
  - Parties whose bona fides BIS has been unable to verify. No license exceptions may be used. A statement must be obtained from such parties prior to shipping items not otherwise subject to a license requirement. See Section 744.15 of the EAR.

# BIS Lists of Parties of Concern

- **Military End User List**
  - The Military End User List identifies foreign parties that are prohibited from receiving items described in Supplement No. 2 of Part 744 of the EAR unless the exporter, reexporter, or transferor secures a license. These parties have been determined by the U.S. Government to be “military end users”, as defined in Section 744.21(g) of the EAR, and represent an unacceptable risk of uses in or diversion to a “military end use” or “military end user” in China, Venezuela, Burma, Nicaragua, or Cambodia.
- **Denied Persons List**
  - A list of individuals and entities that have been denied export privileges. Any dealings with a party on this list that would violate the terms of its denial order are prohibited. See Section 764.3(a)(2) of the EAR.



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# Q&A Session