

Locke Lord QuickStudy: BIS Designates Six Chinese Entities to the Entity List in Response to China's High-Altitude Balloon Incident in the United States

Locke Lord LLP

WRITTEN BY

Ryan Last

Following U.S. tracking of the People's Republic of China's high-altitude balloon over U.S. airspace, the U.S. Commerce Department's Bureau of Industry and Security ("BIS") identified and designated six entities from the People's Republic of China ("PRC") to the Entity List. The BIS's February 10, 2023 designation indicates that these six entities support the PRC's military modernization efforts, specifically the People's Liberation Army's ("PLA") aerospace programs, including airships and balloons and related materials. The BIS claims the actions of the six designated entities are contrary to U.S. national security and foreign policy interests, especially after claims these designated entities have assisted the PLA in the use of high-altitude balloons for intelligence and reconnaissance activities.

As a result of BIS' actions, any transactions with these six entities designated on the Entity List that involve items subject to the Export Administration Regulations ("EAR") will require a license from the BIS, and applications for those licenses will be met with a policy of denial. It is likely that the U.S. will take further action to identify and disrupt the PRC's use of surveillance balloons.

U.S. businesses should implement policies, procedures and internal controls to identify Entity List parties and to otherwise ensure they are in compliance with the EAR.

Conclusion

This paper is intended as a guide only and is not a substitute for specific legal or tax advice. Please reach out to the authors for any specific questions. We expect to continue to monitor the topics addressed in this paper and provide future client updates when useful.

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