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COMMERCE TIGHTENS EXPORT CONTROLS, TARGETS ILLICIT PROCUREMENT NETWORKS FOR SUPPLYING RUSSIAN WAR MACHINE

WASHINGTON, D.C. – Today, the Commerce Department’s Bureau of Industry and Security (BIS) is taking aggressive action to further restrict the supply of both U.S.-origin and “U.S. branded” (i.e., labeled) items to Russia and Belarus for the Kremlin’s illegal war on Ukraine. [Today’s actions](#) will further constrain Russia’s ability to arm its military by targeting illicit procurement networks designed to circumvent global export controls.

Key actions include:

1. Further tightening controls on Russia by expanding the scope of the Russia/Belarus Military End User (MEU) and Procurement Foreign Direct Product (FDP) rule and imposing additional license requirements on operation software for computer numerically controlled (CNC) machine tools;
2. Cutting off exports to foreign companies on the BIS Entity List; applying the expanded Russia/Belarus MEU and Procurement FDP rule to dozens of entities outside Russia;
3. Restricting trade to additional foreign addresses and issuing guidance to exporters on identifying suspicious transactions related to foreign corporate service providers and listed foreign addresses, strengthening recently implemented [restrictions](#) on shell company addresses; and
4. Providing guidance and recommendations on contractual language referencing export regulations (the Export Administration Regulations, or EAR), specifically, restrictions that target unlawful reexports to Russia and Belarus.

“BIS has taken aggressive actions, in concert with our allies and partners, to impose strict export controls in response to Russia’s illegal, unprovoked, and full-scale invasion of Ukraine. Today’s action is an extension of this critical and ongoing work,” **said Undersecretary of Commerce for Industry and Security Alan Estevez**. “We will continue our multilateral approach to attack this problem from all sides and use every tool in our arsenal to prevent Russia from gaining access to the advanced U.S. technology needed for its weapons.”

Tightening Controls on Russia

Expanding the scope of the existing FDP rule allows BIS export controls to capture entities outside Russia (and Belarus) that help procure not only U.S.-origin but also U.S.-branded items that support Russia's illegal, unjustified, and unprovoked war in Ukraine. This expansion is intended to target the transshipment of microelectronics and other items that bear the brand of a U.S.-headquartered company, even if manufactured outside the United States. Additionally, BIS is adding controls on certain software needed to operate CNC machine tools to prevent the provision of software updates to controlled tools in Russia and Belarus. This will have a delayed effective date of September 16, 2024.

Entity List Additions

BIS is also adding 123 entities under 131 entries to the Entity List-- 63 entities in Russia or the Crimea Region of Ukraine, 42 in the People's Republic of China (PRC, including Hong Kong), and 14 entities in Türkiye, Iran, and Cyprus-- for shipping U.S.-origin and U.S.-branded items to Russia in contravention of U.S. export controls or for engaging in other activities contrary to U.S. national security and foreign policy interests. Since March 2022 (and including today's action), BIS has added 1,056 entries to the Entity List in response to Putin's February 2022 invasion of Ukraine and ongoing aggression against the country.

"Russia has been at the forefront of our policy decisions for the entirety of the Biden-Harris Administration. Our mandate is to use export controls to strategically and proactively address national security, technological, and political threats posed by our adversaries. This is especially true of Russia and its unjustified attacks in Ukraine," said **Assistant Secretary of Commerce for Export Administration, Thea D. Rozman Kendler**. "Today's action is an important step forward in bottlenecking the procurement networks Russia has turned to in the face of aggressive U.S. and allied export controls. We will not stop until Russia has nowhere to turn."

Targeting Shell Companies

In addition, BIS is further targeting diversion through shell companies by adding four high-diversion risk addresses in Hong Kong and Türkiye to the Entity List, thereby requiring a license for transactions involving parties using those addresses. BIS will continue to aggressively target entities around the world that ship U.S.-origin and U.S.-branded items to Russia.

Three addresses in Hong Kong and one address in Türkiye were added to the Entity List in connection with significant transshipment of sensitive items to Russia, building on changes made by a June 12, 2024 rule.

New Guidance for Exporters and Re-exporters

BIS is also issuing [guidance and recommendations](#) to U.S. exporters on language in sales contracts or other export documents involving items subject to the EAR to prevent diversion to Russia or Belarus.

Guidance to exporters on contract clauses: We are providing guidance to exporters regarding language they can include in their sales contracts or other export documents. Language used in these instances should ensure that overseas customers understand that BIS export controls under

the EAR continue to apply to the items after the initial sale and that most items cannot be reexported to Russia without a license from BIS. This is similar to the European Union’s “No re-export to Russia” clause, which requires EU companies to include similar language in certain sales contracts.

Guidance to foreign corporate service providers: Corporate service providers in places like Hong Kong or Türkiye provide their clients with a registered place of business – *i.e.*, an address they can use for billing or receiving goods. Although corporate service providers have legitimate business purposes, some bad actors use them to mask their identities and divert items to embargoed destinations or restricted parties. We are providing guidance to corporate service providers to help them avoid providing services to such bad actors – *e.g.*, screening against U.S. Government restricted parties lists and scrutinizing their customers who ship to Russia or to Iran and other embargoed destinations.

“Today, we took action against more than 100 shell companies and transshippers that put profit before principle by aiding the Russian government’s illegal war against the Ukrainian people,” said **Assistant Secretary of Commerce for Export Enforcement Matthew S. Axelrod**. “The fact that nearly half of these parties are located in countries outside Russia should serve as a stark reminder: it doesn’t matter whether you’re in the People’s Republic of China or Türkiye -- if you send Common High Priority List items (or a range of other items) to Russia, you risk being added to the BIS Entity List.”

Today’s actions are taken in concert with similar actions by the Departments of State and the Treasury targeting Russian procurement networks in third countries around the world. U.S. export controls and sanctions have significantly impacted Russia’s ability to build weapons systems for its unjustified war against Ukraine: Russia is forced to rely on lower-technology, often obsolete, foreign-produced items below the threshold of controls specified in multilateral export control regimes for its weapons systems and must pay two to four times pre-war prices for the key foreign-produced items it is able to obtain through complex, multi-hop procurement networks. Despite attempting to dramatically increase its military production, Russia still falls billions of dollars short in the imports needed to meet its stated production goals.

Additional Information:

In response to Russia’s war against Ukraine, BIS imposed extensive sanctions on Russia and Belarus under the EAR effective February 2022. During the last two years, BIS has published a number of additional final rules strengthening the export controls on Russia and Belarus, including measures undertaken in coordination with the 38 U.S. allies and partners of the Global Export Control Coalition.

Taken together, these actions under the EAR reflect the U.S. government’s position that Russia’s war against Ukraine (with Belarus’s complicity) flagrantly violates international law, is contrary to U.S. national security and foreign policy interests, and undermines global order, peace, and security.

Additional information on BIS's efforts to respond to Russia's war against Ukraine is available on BIS's website at: <https://www.bis.doc.gov/index.php/policy-guidance/country-guidance/russia-belarus>.

Additional Background on the Entity List Process

The Entity List 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—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. 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 End-User Review Committee (ERC), comprised of the Departments of Commerce (Chair), Defense, State, Energy, and where appropriate, the Treasury. The ERC makes 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 additional information, please visit: www.bis.gov

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