

## **CLIENT ALERT**

### **BIS Issues Final Rule on China Exports**

**June 18, 2007**

In publishing its long-awaited rule imposing controls on exports to the PRC, BIS has imposed controls where the exporter "knows" of a military end use for 31 categories (down from 47) of items on the Commerce Control List, and created a new authorization for some exports to China that would require a license unless destined to Validated End Users ("VEUs"). In response to extensive public comments, BIS has modified the standard for evaluating "military end use," raised the dollar value of transactions requiring a PRC "End User Statement" (from \$5,000 to \$50,000), and set out the specific requirements for VEU status, including the specific information required to support an application and the creation of a new inter-agency "End User Review Committee" (including State, Defense, Energy, and others) which must unanimously approve all applications for VEU status. BIS has heralded the VEU, or "trusted customer," approach as a model for the future of export controls in an increasingly list-based compliance environment; this future will depend on the degree of practical usefulness of the VEU model as an alternative to traditional export licenses. The text of the Final Rule is available at <http://www.bis.doc.gov/News/2007/Rule%20text.pdf>. For more information, please contact the professional(s) listed below, or your regular Crowell & Moring contact.

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