



## Tensions Expected to Grow Between Washington and Beijing

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Last week, *Reuters* reported that the Trump Administration is close to declaring that 89 Chinese aerospace and other companies have military ties, which would restrict them from buying a range of U.S. goods and technology. According to the article, *Reuters* saw the draft list produced by the U.S. Department of Commerce, and remarked that if the list was published, it could escalate trade tensions with Beijing and “hurt U.S. companies that sell civil aviation parts and components to China, among other industries.”

The news release came a few weeks after President Trump issued an Executive Order Addressing the Threat from Securities Investments that Finance Communist Chinese Military Companies (the EO) prohibiting certain securities transactions in the new year related to “Communist Chinese military companies” (in short and in part, any person that the Secretary of Defense has listed as a Communist Chinese military company). The EO prohibits U.S. investors from buying and certain dealings in securities of the blacklisted companies.

In addition to the 89 Chinese listings, the draft list includes 28 Russian entities, including Irkut, a Russian aircraft manufacturer with U.S. connections. The list of 117 companies is described as an “initial tranche” and may be amended or supplemented before publishing.

While a published list would likely increase the tensions between the U.S. and China and hurt certain industries – particularly the aviation industry – it has yet to be seen whether another restriction would otherwise substantially impact trade or trade compliance for companies that are already adjusting to harsher restrictions with respect to China.

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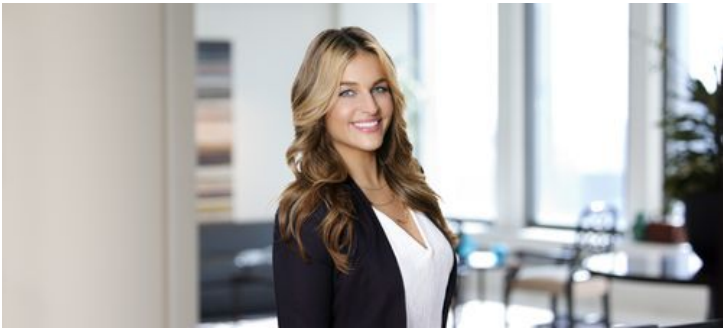
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