

Reinventing or Refining: Firm Strategies in Response to Entity List Policies

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Abstract

Since 2018, the United States has progressively escalated entity list sanctions, increasingly targeting high-tech industries, while the number of restricted Chinese firms has risen exponentially. In this context, U.S. entity list controls on China constitute a systemic factor reshaping the global innovation landscape, thereby rendering firms' adjustments in innovation strategies a pressing research concern. Existing research has primarily focused on the direct impact of the entity list on sanctioned firms, while largely neglecting the spillover effects on non-sanctioned firms within the same technological domains. Specifically, when access to external technology is restricted, non-sanctioned firms may reinvent their strategies by pursuing strategic escape or refine their existing technological trajectories through path-dependent innovation, with innovation boundaries either expanding through cross-technology diversification or contracting by concentrating on core technological areas. To address this gap, this study employs dynamic entity list data from 1997 to 2024 to systematically investigate how the entity list shapes the innovation strategies of non-sanctioned firms within the same technological domains. It further explores how firms adjust their innovation directions and optimize patent portfolios under external technological blockades, and examines how relational and knowledge assets reshape their innovation trajectories. The findings advance the micro-level understanding of behavioral mechanisms within the "sanctions-innovation" framework, provide empirical evidence to inform policy trade-offs between technological security and open innovation, and offer practical insights for non-sanctioned firms seeking technological breakthroughs and industrial upgrading.

Keywords

Innovation strategy; Relational assets; Knowledge assets; Entity list

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