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US Extends Temporary License for Exports to Chinese Telecom Company ZTE

June 28, 2016

Today, June 28, 2016, the US Commerce Department's Bureau of Industry and Security ("BIS") extended the temporary general license (the "Temporary GL") lifting certain export restrictions imposed in early March 2016 on Zhongxing Telecommunications Equipment Corporation ("ZTE") and its affiliate, ZTE Kangxun Telecommunications Ltd. ("ZTE Kangxun"). The Temporary GL was originally issued on March 24, 2016 and effective until June 30, 2016. Today's final rule issued by BIS extends the Temporary GL until August 30, 2016. No other changes were made to the Export Administration Regulations ("EAR"), and ZTE and ZTE Kangxun still remain on BIS's Entity List.

As discussed in our prior client alert, the Temporary GL temporarily restores the licensing requirements and policies applicable to exports to ZTE and ZTE Kangxun that were in effect prior to March 8, 2016, the date upon which ZTE, ZTE Kangxun, and two other ZTE affiliates were added to the Entity List. Under the Temporary GL, if an item was authorized for export to ZTE or ZTE Kangxun before March 8, 2016, it may be exported to ZTE or ZTE Kangxun under the same authorization during the term of the Temporary GL. If an item required a specific license from BIS under the EAR for export to ZTE or ZTE Kangxun before March 8, 2016, such exports would still require a specific license.

The extension of the Temporary GL to August 30, 2016 reflects continuing efforts by ZTE to alleviate the US Government's concerns regarding the company's compliance with US export control laws. According to news reports, as part of ZTE's remedial efforts, the company replaced three senior level executives, including its CEO. In addition, ZTE hired US export control experts to provide guidance on export matters.

BIS may again extend the Temporary GL if the US Government determines, in its sole discretion, that ZTE and ZTE Kangxun are fulfilling the commitments they have made to the US Government to address the export compliance concerns that led to their Entity List designation on March 8, 2016.

Although today's final rule extends the Temporary GL, we continue to encourage clients to take precautionary compliance measures when dealing with ZTE or ZTE Kangxun, as discussed in more detail in our prior client alert.

For assistance in complying with the Temporary GL, please contact a member of our export control team, including Kevin King, Shannon MacMichael, Rebecca Ross, and Karen Tsai.

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