

UNITED STATES DEPARTMENT OF COMMERCE  
BUREAU OF INDUSTRY AND SECURITY  
WASHINGTON DC 20230

In the Matter Of:

Zhongxing Telecommunications Equipment Corporation  
ZTE Plaza, Keji Road South  
Hi-Tech Industrial Park  
Nanshan District, Shenzhen  
China

ZTE Kangxun Telecommunications Ltd.  
2/3 Floor, Suite A, Zte Communication Mansion Keji (S)  
Road  
Hi-New Shenzhen, 518057  
China

ORDER TERMINATING DENIAL ORDER ISSUED ON APRIL 15, 2018,  
AGAINST ZHONGXING TELECOMMUNICATIONS EQUIPMENT  
CORPORATION AND ZTE KANGXUN TELECOMMUNICATIONS LTD.

On March 23, 2017, I signed an order (the “March 23, 2017 Order”) approving the terms of the settlement agreement entered into in early March 2017, between the Bureau of Industry and Security, U.S. Department of Commerce (“BIS”), and Zhongxing Telecommunications Equipment Corporation, of Shenzhen, China (“ZTE Corporation”), and ZTE Kangxun Telecommunications Ltd., of Hi-New Shenzhen, China (“ZTE Kangxun”) (collectively, “ZTE”) (the “March 2017 Settlement Agreement”), to resolve 380 violations of the Export Administration Regulations (the “Regulations”) admitted by ZTE and set forth in the Proposed

Charging Letter attached to and incorporated in the March 2017 Settlement Agreement and the March 23, 2017 Order.<sup>1</sup>

On March 6, 2018, ZTE notified BIS that it had made false statements in letters it sent to BIS on November 30, 2016 and July 20, 2017, respectively, regarding the discipline of 39 employees involved in the violations that led to proposed charges settled through the March 2017 Settlement Agreement. After providing notice to ZTE and an opportunity to respond pursuant to the Regulations, I issued an order on April 15, 2018 (the “April 15, 2018 Order”), activating the suspended denial of export privileges set forth in the March 2017 Settlement Agreement and the March 23, 2017 Order. See 83 Fed. Reg. 17,644 (April 23, 2018).

On June 8, 2018, I issued a Superseding Order approving a superseding settlement agreement between BIS and ZTE (the “Superseding Settlement Agreement”), whereby the parties agreed to additional and enhanced settlement terms and conditions, including, inter alia, the full and timely payment by ZTE of \$1,000,000,000 to the Department of Commerce within 60 days of the date of the Superseding Order, and the full and timely placement of \$400,000,000, within 90 days of the date of the Superseding Order, in an escrow account with a bank located and headquartered in the United States to be selected by ZTE and approved by BIS. The \$400,000,000 escrow amount is the suspended portion of the \$1,761,000,000 civil penalty

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<sup>1</sup> The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2018) (available at <https://www.govinfo.gov/app/collection/CFR>). The Regulations issued under the authority of the Export Administration Act of 1979, as amended. 50 U.S.C. §§ 4601-4623 (Supp. III 2015). Since August 21, 2001, the Act has been in lapse and the President, through Executive Order 13222 of August 17, 2001 (3 C.F.R., 2001 Comp. 783 (2002)), which has been extended by successive Presidential Notices, the most recent being that of August 16, 2017 (82 Fed. Reg. 39,005 (Aug. 15, 2017)), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. § 1701, et seq.) (2012).

imposed pursuant to the Superseding Settlement Agreement and the Superseding Order.<sup>2</sup> The Superseding Order also provided, as agreed to by the parties, that BIS would terminate the denial of export privileges set forth in the April 15, 2018 Order and remove ZTE from the Denied Persons List upon ZTE's full and timely payment of the \$1,000,000,000 referenced above and compliance with the escrow requirements relating to the \$400,000,000 suspended portion of the civil penalty.

ZTE has made full and timely payment of the \$1,000,000,000 and has complied with the escrow requirements relating to the \$400,000,000 suspended portion of the civil penalty. Therefore, BIS is hereby terminating the April 15, 2018 Order, and BIS will remove ZTE from the Denied Persons List.

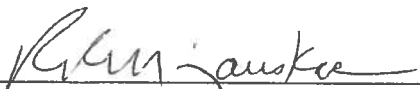
This Order does not modify any provision of the Superseding Order or the Superseding Settlement Agreement. Under the terms of the Superseding Settlement Agreement and Superseding Order, if ZTE does not fully and timely comply with all other probationary conditions set forth in the Superseding Settlement Agreement and Superseding Order during the ten-year probationary period, the \$400,000,000 suspended portion of the BIS civil penalty may immediately become due and owing in full or in part, at BIS's discretion, and the suspended denial order may be modified or revoked by BIS and a denial order including a ten-year denial period activated against ZTE from the date that it is determined that ZTE has failed to comply.

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<sup>2</sup> ZTE satisfied \$361,000,000 of this civil penalty amount through the payment made by ZTE on or about May 19, 2017, following issuance of the March 23, 2017 Order.

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This Order is effective immediately and shall be served on ZTE and shall be published in  
the *Federal Register*.

  
Richard R. Majauskas  
Acting Assistant Secretary of Commerce  
for Export Enforcement

Issued this 13<sup>th</sup> day of July 2018.