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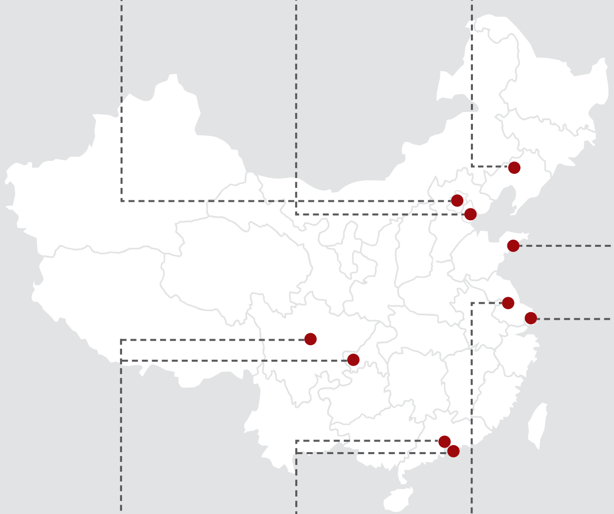

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President's Foreword

New beginnings for the year of the horse

The European Chamber got off to a strong start for the year of the horse, opening its 10th office nationwide in Qingdao, Shandong Province. The opening of the new office follows growing demand from members operating in the region and will allow companies to leverage the Chamber's platform for engagement, business intelligence and dialogue with key stakeholders.

The new office will serve member companies across Shandong Province, with plans to host about 20 events each year, ranging from factory visits to executive roundtables. As a key port city, Qingdao adds much-needed coverage to northern China, complementing an existing presence in Beijing, Shenyang and Tianjin. The office will operate under the guidance of an Advisory Committee and report directly to the Chamber's secretary general.

The new year also marked a significant update for the European Chamber's Beijing office, which moved just 100 metres across the street to the DRC Liangmaqiao Diplomatic Office Building. While the Beijing Chapter enjoyed 25 memorable years in the Kempinski—and then Yansha—Office building, it was time for a change. The new office is brighter, offers more meeting rooms and importantly allows all departments to be located in the same premises.

As the Chamber enters its 26th year of advocating on behalf of European business in China, these two new office developments represent an investment not just in the Chamber's future but in the future of China's European business community as a whole.

The year ahead will undoubtably continue to present challenges—both globally and within China's business environment—but the European Chamber will remain an indispensable asset for our members, perhaps even more so against the backdrop of a turbulent external environment.

Jens Eskelund

President

European Union Chamber of Commerce in China

DEALING WITH SUPPLY CHAIN DEPENDENCIES

Challenges and Choices

The report is available to download free from the Chamber's website. Please visit:

https://www.europeanchamber.com.cn/en/exporting-control-chinas-new-strategic-toolkit

Export controls remain an important mechanism for preventing the proliferation of weapons and the spread of items and technologies that have both civilian and military purposes to users with hostile intent. However, over the past decade there has been an increasing number of cases of them being repurposed as strategic trade measures. This process has been happening gradually, with first the United States (US) and now China rolling out new export controls under the auspices of national security, capitalising on the fact that some goods critical to global economic competition also have potential military uses. The European Union (EU), while continuing to base its export control regime around the principles and objectives of multilateral agreements such as the Wassenaar Arrangement,[1] is now also responding to this change. [2]

China's shift toward a more strategic use of export controls became clear in April 2025, when it introduced controls on the export of rare earth elements (REEs) to all countries, apparently as retaliation against the US' 'liberation day' tariffs.[3&4] The initial disruption this caused pushed some global supply chains to near breaking point, with many European Chamber member companies suffering as a result.[5] Then, on 9th October 2025, China announced increased restrictions citing national security concerns: the Ministry of Commerce (MOFCOM) announced an expansion of the scope of controls on REEs, and included additional controls on lithium-ion battery technology, controls on superhard materials and export restrictions on the equipment needed for the mining and processing of REEs and magnets.[6,7,8,9&10] Although the implementation of these measures was subsequently suspended for a year as part of an agreement with the US, this announcement represented a major expansion of the country's export control toolbox, particularly as it included extraterritorial provisions for the first time.[12&13]

The 9th October 2025 announcement can also be interpreted as a signal that China is beefing up its export controls with the hope to eventually match those adopted by the US in terms of reach and leverage. China may see this as reasonable and proportionate, particularly when viewed through the lens of the US' willingness to weaponise its export control mechanism, but—similar to how strategic US export controls are viewed by many US allies—this is not how it is being seen by its key trading partners, including the EU.

The degree of control that China has amassed through its quasi-monopolistic hold over certain critical supply chains, and the extent to which the country has already demonstrated its willingness to leverage it over critical technologies and materials, presents Europe with fundamental economic and national security concerns. At best, this may significantly damage mutually beneficial trade between the two economies; at worst, it could trigger the development and use of proportionate policies in response.

While the MOFCOM has emphasised that "export controls are not export bans",[14] they are effectively bans until companies obtain approval, which can take months in some cases.[15] Over the short term, the problems that many European companies encountered trying to navigate the export licence approval process for controls put in place in April 2025 resulted in significant operational and financial damage.[16] Although some have since obtained licences, there is now a recognition that China's emerging export control regime poses a long-term business risk, given that the ability to export a particular item could be taken away at any point based on political rather than security factors. In other words, the licensing system in place today can be used as both an approval mechanism and a coercive instrument in the future. This was made apparent by the restriction of REE exports to Japan in early 2026, which China's MOFCOM openly acknowledged as a response to remarks made by the Japanese prime minister.[17]

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16 *Ibid.*

17 *Spokesperson for the Ministry of Commerce Responds to Journalists' Questions Regarding Enhanced Export Controls on Dual–use Items to Japan*, MOFCOM, 6th January 2026, viewed 20th January 2026, <https://www.mofcom.gov.cn/xwfb/xwfyrth/art/2026/art_1f25cb39adfa4561b34b4ea46d2bcee7.html>

For some companies, there is an added concern that the detailed technical information they are required to provide for their REE export licence applications has presented China with the opportunity to map out global critical dependencies down to the geographical, company, product and individual-component levels. This raises the possibility for export controls to be deployed in a highly targeted manner, with the potential to act against individual industries or even companies.

This challenge is compounded by the fact that China now commands control over the supply of an increasing number of products that could be weaponised. According to one analysis, EU dependencies on China as a percentage of total imports hit 12 per cent in 2022, with US dependencies even higher at 16 per cent of imports.[18] This means that, beyond REEs, a significant number of other products are at risk of being impacted by strategic export controls in the future, with the inclusion of superhard materials in China's 9th October export control announcement being one such example.[19]

Realistically, China's strategic export controls announced in 2025 are not going to be abolished, but the country could adopt an approach that would still allow it to react proportionately to US escalations without disrupting trade with its key partners. This could start with a more effective export licence application process, with greater transparency and expedited timelines, but it would ultimately require a rollback in scope: while China may argue that it only imposes controls on goods likely to see military use, while ensuring protection for all other types of trade for legitimate civilian applications, in practice many of the country's newly introduced export controls appear to have strategic aims and cast a wide net. For cases in which controls are deemed absolutely necessary, they should be implemented in a way that mitigates collateral damage.

> **"Overreaching export controls will contribute to the further reorganisation and regionalisation of global supply chains, reducing economic efficiencies and the benefits of global trade."**

It would also require a cancellation or rollback in scope of the extraterritorial export controls announced on 9th October 2025. While it is feasible that in its negotiations with China the US could secure an alternative solution, or even further delay their implementation, it would not be prudent for either the EU or European companies to bet on this outcome or trust that any postponement would last.

Whatever the outcome, the ability to use export controls for strategic purposes or as a tool for trade retaliation is finite as China, the US and the EU are throwing substantial resources at reducing their respective dependencies. Meanwhile, the damage done to global supply chains may be lasting. Just like the emergence of separate technological spheres around the world, overreaching export controls will contribute to the further re-organisation and regionalisation of supply chains over time, reducing economic efficiencies and the benefits of global trade.

The European Chamber is therefore keen to work with the Chinese authorities to find a long-term solution to the export control challenge, in the interests of maintaining a healthy and sustainable EU-China relationship, and creating a more reliable and predictable business environment. Not doing so would compel companies to work more on developing manufacturing capacity and sourcing outside of China—something many are already doing—while increasing risk for China itself, particularly as the country looks set to maintain a focus on export-driven growth. The EU's current dependencies would see it suffer a disproportionately large amount of short-term damage if China were to implement extraterritorial export controls, but in the long run, China's reputation as a reliable trading partner and sourcing destination would suffer significant and perhaps irreversible damage.

Recommendations to China

- Roll back plans to implement extra-territorial export controls on EU companies.
    - Elevate the EU's role in discussions on export controls and avoid a 'one size fits all' approach.
- Refrain from weaponising export

[18] The author defines a product as dependent when a country: "has a significant trade deficit in that good, as a result of imports being at least twice as high as exports; it has a significant bilateral supplier that accounts for at least 30 per cent of imports of that good; and if there are relatively few suppliers around the world, with the good's total exports scoring 0.25 or higher on the Herfindahl-Hirschman Index of market concentration." See: Chimits, F., *Growing asymmetry: Mapping the import dependencies in EU and US trade with China*, MERICS, 1st October 2024, viewed 4th February 2026, <https://merics.org/en/report/growing–asymmetry–mapping–import–dependencies–eu–and–us–trade–china>

[19] Superhard materials are generally considered to be manmade materials with a diamond-like or greater level of hardness. China's announcement of export controls on superhard materials list more specific technical specifications on what is included. See: *Superhard materials*, Taylor & Francis, viewed 10th February 2026, https://taylorandfrancis.com/knowledge/Engineering_and_technology/Materials_science/Superhard_materials>; *Announcement No. 55 of 2025 by the Ministry of Commerce and the General Administration of Customs Decision on the Implementation of Export Controls on Items Related to Superhard Materials*, MOFCOM, 9th October 2025, viewed 10th February 2026, <https://www.mofcom.gov.cn/zcfb/blgg/art/2025/art_333950798cb04c7a8c517cdecf9c564c.html>

controls and ensure that implementation is gradual.

- Limit the use of export controls to genuine 'dual-use' items, and ensure that the controls are proportionate to risk and are not used to meet geopolitical goals or as retaliation in trade wars.
- Ensure that additional export controls are only put in place for items likely to see military use.
- Establish broader humanitarian exemptions to prevent disruptions to the supply of essential goods, including healthcare equipment.

- Engage regularly with chambers of commerce on export controls, ensuring that companies' concerns are clearly understood.
- Implement export controls in a way that prevents general supply chain disruptions or mitigates them to the greatest extent possible.
    - Communicate implementation details for new controls to businesses as early and transparently as possible.
    - Ensure that applications submitted to the MOFCOM through the European Commission's licence monitoring platform are expedited, including shipments with an EU end user that do not move directly from China to the EU.
- Develop licence application and customs clearance processes that are clear, transparent and applicable to all legitimate applicants.
    - Shorten application processing timelines.
    - Restrict the amount of corporate information required for licence applications to only that which is strictly necessary.
    - Ensure a predictable application process in which required information only needs to be submitted once and requirements remain consistent across different localities.
    - Implement longer licence validity periods, such as for multiple years.
    - Issue licences with a broader scope, allowing the export of different products and goods to different end users.
    - Streamline customs clearance processes to prevent delays even once licences have been obtained, and ensure full transparency if goods are sent for laboratory testing.
    - Publish information about licence requirements, including general licences.
    - Provide regular updates on the status of applications during the processing period.
    - Provide contact points for European companies at local departments of commerce, the MOFCOM and the General Administration of Customs.
- Provide a mechanism for appeals when company applications are rejected.

Recommendations to the EU

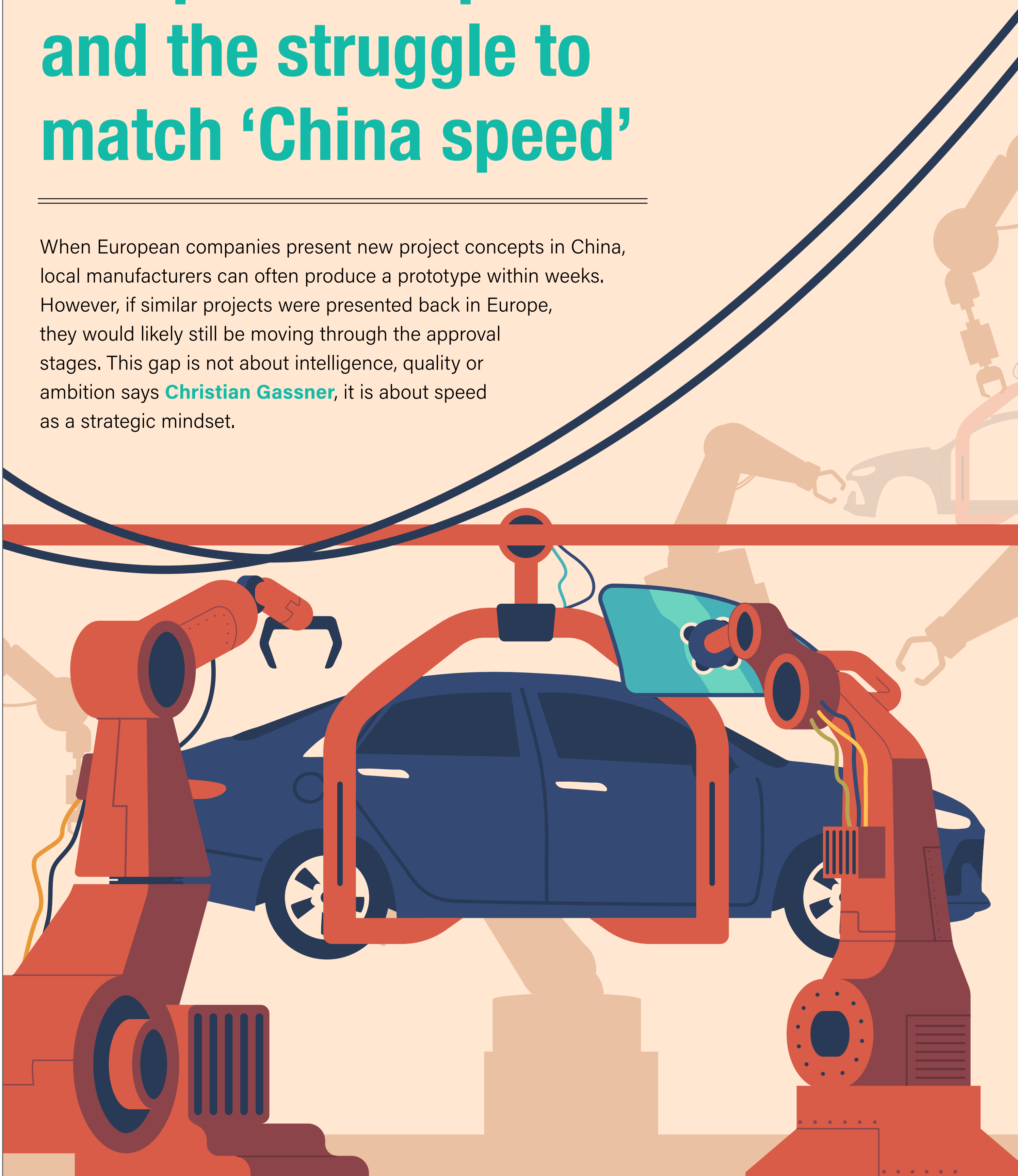
- Advocate for the cancellation or modification of China's proposed extraterritorial export controls.
- Take steps to avoid the EU becoming a passive recipient of US-led negotiations with China, asserting the need for the EU to take the lead in discussions on issues that impact it.
- Leverage EU strengths, using the trade defence toolbox when necessary.
- Map dependencies in a precise manner to understand where risk lies.
    - Prioritise addressing dependencies likely to cause significant damage to European economic and national security.
- Develop country-agnostic mechanisms to reduce dependencies.
- Develop policies that make European alternatives to critical materials from China and other non-EU countries more commercially viable.
- Maintain a constructive and results-orientated dialogue with China on export controls.
    - Continue to provide and improve the licence monitoring platform.

Recommendations to European companies with supply chains linked to China

- Understand where dependencies on China lie, even if deep within the supply chain.
    - Develop alternative options for the supply of critical inputs, even if only accounting for a small portion of supply.
- Make use of the EU's licence monitoring platform for all licence applications for shipments destined for the EU.
- Prepare for scenarios in which China applies extraterritorial export controls.
- Engage regularly with the European Chamber to ensure that all export control challenges are clearly understood so they can be communicated to relevant stakeholders.

European companies and the struggle to match 'China speed'

When European companies present new project concepts in China, local manufacturers can often produce a prototype within weeks. However, if similar projects were presented back in Europe, they would likely still be moving through the approval stages. This gap is not about intelligence, quality or ambition says **Christian Gassner**, it is about speed as a strategic mindset.



In 2026, one of the biggest challenges for European companies operating in China is no longer cost pressure or supply chain reliability – it is keeping up with the pace at which decisions are made and executed. In many Chinese companies, speed is not the result of working harder. It is the result of working differently.

Projects often start before each variable is fully known. Products are tested in the market rather than perfected in meeting rooms. Adjustments are made continuously instead of being frozen in long planning phases. The underlying assumption is simple: market feedback is best. If something works, it is scaled quickly. If it fails, it is corrected just as quickly.

This approach creates momentum. It also creates learning curves that are difficult to match with traditional European planning structures. In contrast, many European organisations are built around minimising risk before action. Detailed forecasting, layered approvals and comprehensive documentation aim to ensure that once a project starts, it will succeed. The intention is quality and stability, but this leads to delays.

Decision chains: One desk versus many committees

One of the most visible differences lies in how decisions are made. In China, responsibility is often concentrated. A senior manager or business owner listens, evaluates and decides. Once the decision is made, execution begins immediately. In European structures, decisions frequently travel across departments: engineering, finance, legal, compliance, risk management and senior leadership. Each layer adds expertise and security, but also adds time. Once a consensus is reached, market conditions may already have shifted.

Neither system is inherently wrong. But in fast-moving industries, speed itself becomes a competitive advantage. Chinese companies are not necessarily taking bigger risks. They are simply accepting that not all risks can be eliminated in advance.

Failure is a data point, not a disaster

Another crucial difference is how failure is perceived. In many Chinese business environments, a failed project is viewed as a source of information. It might provide insights into customers, technology or processes. The focus quickly moves to adjustment and the next attempt.

> **In fast-moving industries, speed itself becomes a competitive advantage.**

In European corporate culture, failure often carries personal consequences. It can impact reputation, performance evaluations and career progression. This naturally encourages cautious decision-making. The result is fewer experiments, longer preparation phases and a higher barrier to innovation. When speed is required, this cultural hesitation becomes a structural disadvantage.

Why 80 per cent today often beats 100 per cent tomorrow

A common Chinese business principle is to launch early and improve continuously. An initial version of a product does not need to be perfect. It needs to function, reach customers and generate feedback. Improvements follow in rapid cycles. European companies tend to aim for near perfection before market entry. Products are refined extensively before release, sometimes delaying entry by months or years.

In industries where technology and customer expectations evolve quickly, being first often matters more than being flawless. China's market rewards responsiveness more than theoretical optimisation.

Evidence that the speed gap has become structural

It is tempting to describe China speed as culture. In 2026 it is increasingly visible as an ecosystem effect.

Foreign manufacturers and technology companies operating in China often find that product development cycles shorten not only because suppliers move fast, but because feedback, engineering capacity and decision-making authority are concentrated in the same place. One result is that applied innovation can progress quickly from prototype to deployment. *The Financial Times* recently described cases where advanced driver assistance work moved from development to real-world application in China significantly faster than in firms' home markets – helped by a local innovation environment that is streamlined and intensely execution focussed.[1]

This sits alongside a broader shift in China's innovation capacity. The same report noted that China's research and development spending in 2023 reached roughly United States dollar 781 billion and was nearing the level of the United States, while China also produces very large numbers of science, technology, engineering and mathematics graduates. Whether one agrees with every conclusion, the practical implication for European firms in China is straightforward: local competitors, partners and even joint ventures increasingly have both the talent and the momentum to iterate rapidly.

Independent policy research points to a similar direction in selected advanced industries, with China leading or matching global leaders in areas such as electric vehicles and batteries, while moving quickly in others. That does not mean every sector is equally strong, and it does not guarantee that every project will succeed. But it does mean that speed is no longer just an operational habit. It is supported by investment, talent density and industrial focus, making it harder for slower decision-making systems to keep pace.

[1] White, E, *Is China winning the innovation race?, The Financial Times*, 28th November 2025, viewed 3rd March 2026, <https://www.ft.com/content/3eccd40e–5ec0–43e8–a521–3b87e29e323b>

> **"When market windows shrink, slower execution can erase the advantages of quality, engineering strength and reliability."**

The pressure on European firms

For European companies operating in China today, this speed gap is increasingly visible in areas such as product development, supplier collaboration, digital services, manufacturing upgrades and customer response times. Local competitors are launching faster, adjusting faster and scaling faster.

European firms may still offer excellent quality, strong engineering and reliable systems – but when market windows shrink, slower execution can erase those advantages.

What can European companies do to adapt?

Matching the speed of Chinese companies does not require abandoning European strengths such as quality, compliance or risk management. However, several adjustments can significantly improve competitiveness: shorter decision loops by clearly defining who owns which decisions; pilot projects that allow fast testing before full-scale rollout; acceptance of controlled failure as part of innovation; performance metrics that value speed and learning, not only accuracy; and empowering local China teams with greater autonomy. These changes do not remove structure – they rebalance it.

A shift in mindset, not just process

The biggest challenge is cultural, not procedural. European organisations often equate thoroughness with professionalism. Chinese organisations increasingly equate responsiveness with strength. In 2026, success in China requires combining European engineering discipline with Chinese execution speed.

Those who manage this balance gain a powerful competitive edge. Those who do not may continue to deliver excellent projects that arrive too late. China did not suddenly become fast – it simply built systems around action rather than prediction. The question is no longer whether European companies need to match the speed of Chinese competitors, but how their own organisations can realistically adapt their decision-making and execution to operate at that pace. Eb

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USING AND DEVELOPING AI IN CHINA

Data compliance for foreign companies

The rapid advancement of artificial intelligence (AI) has transformed business landscapes globally, and China is no exception. Foreign companies operating in China are increasingly integrating AI into their business models, driven by the potential to enhance efficiency and innovation. However, this integration comes with significant responsibilities, writes **Panpan Tang**, particularly regarding data security and privacy protection.

In recent years, China has strengthened its regulatory framework for AI, introducing a series of laws and regulations designed to safeguard data and ensure ethical AI use. For foreign companies, navigating these regulations is crucial to avoid legal risks and protect their reputation.

Core legal basis and regulatory framework

To operate in a compliant manner, foreign companies must understand and adhere to China's key legal and regulatory frameworks governing AI and data.

Basic laws

China's legal landscape for data and AI is built on three foundational laws:

- The Cybersecurity Law, which focusses on safeguarding network data and cybersecurity. It requires companies to implement technical measures to prevent cyber attacks and data breaches.
- The Data Security Law, which mandates the classification and management of data based on its sensitivity and importance.
- The Personal Information Protection Law, which governs the handling of personal information, emphasising the principles of legality, propriety, necessity and good faith. For cross-border transfers of personal information, it clarifies three compliance pathways: mandatory security assessments (for high-risk transfers), filing standard contracts with competent regulatory authorities, or obtaining personal information protection certification from professional certification bodies (for transfers that meet specified thresholds).

Special regulatory rules

Beyond the foundational laws, specific regulations target AI applications:

- Three core AI-related regulatory instruments: the *Internet Information Service Algorithm Recommendation Management Regulations* (*Algorithm Recommendation Regulations*), the *Internet Information Service Deep Synthesis Management Regulations* (*Deep Synthesis Regulations*), and the *Interim Measures for the Management of Generative Artificial Intelligence Services* (*Generative AI Interim Measures*), form a complementary, multi-tier governance framework covering the full lifecycle of AI application and service provision. The *Algorithm Recommendation Regulations* lay the foundational rules for algorithm transparency, user rights protection and content moderation, mandating filing requirements for algorithms with public opinion attributes and prohibiting algorithm misuse. The *Deep Synthesis Regulations* govern AI-generated content, enforce user real-name authentication and mandatory labelling of synthetic text, images and audio to prevent disinformation. The *Generative AI Interim Measures* further refine standards for advanced generative AI models, emphasising the legality of training data, intellectual property protection, and content control to block illegal or harmful output.
- Specialised implementation rules: Under the comprehensive regulatory framework established by the three core AI-related regulatory instruments, there are supplementary specialised implementation rules. Currently, the key effective instrument is the *Measures for Labelling AI-generated and Synthesised Content*. It mandates that all AI-generated content, including text, images, audio and video, must be clearly labelled as synthetic to ensure that users can distinguish it from real content.
- National standards: China also implements AI-related national standards, which serve as a crucial bridge between legal provisions and practical implementation. These standards provide general technical guidelines and operational benchmarks for data and AI compliance.

1. Main scenarios of AI usage and development in China

Foreign companies in China typically engage with AI in two main ways, each with distinct compliance considerations.

a) AI as a tool – internal office use for foreign companies as AI users

In this scenario, AI is employed to streamline internal operations, such as smart attendance systems, document processing and customer data analysis.

b) **AI in a product – external service provision by foreign companies as AI developers/service providers**

Here, AI is embedded in products or services offered to external customers, like smart customer service systems, e-commerce recommendation engines or industrial inspection equipment.

2. Compliance considerations for foreign companies as AI users

When using AI internally, foreign companies should focus on several key compliance areas:

a) **Data collection and processing**

The internal use of AI tools inevitably involves the collection of personal information from employees and business partners. Foreign companies must ensure that all such data collection activities are fully compliant with Chinese law. Companies are required to clearly inform the relevant data subjects, namely their own employees and the employees of their business partners, about the purpose, scope, and intended use of the personal information being collected. Obtaining their explicit consent is a fundamental legal requirement under Chinese data law. Additionally, foreign companies should adopt the principle of collecting and processing only the minimum necessary personal information required to achieve their business functions, and they must ensure their employees and business partners' employees are notified regarding any information collected and processed. For any sensitive data, such as employees' biometric information like facial recognition data, or confidential commercial information from business partners, companies should, where possible, avoid collecting and processing it through AI tools. When handling such data is unavoidable, companies must employ anonymisation techniques to prevent unauthorised access and potential privacy breaches.

b) **Data storage and export**

Foreign companies must implement robust security measures for data storage, including encryption and strict access controls. These measures are vital to protect data from unauthorised access and potential cyber threats. Additionally, when using AI tools involves sharing data across borders, such as storing data directly on overseas servers or allowing access by a foreign headquarters, it is crucial for companies to comply with cross-border data transfer regulations. Depending on the type and volume of data, this includes conducting mandatory security assessments, obtaining certification for cross-border transfers, or having both domestic and foreign entities sign and submit standard contracts to the relevant regulatory authorities.

> **"Foreign companies must implement robust security measures for data storage, including encryption and strict access controls."**

c) **AI-generated content labelling**

Chinese law requires that AI-generated content must be marked either explicitly or implicitly. Explicit marking involves adding indicators in the interface of synthetic content or interactive scenarios, presented as text, sound, graphics, etc., and clearly perceivable by users. Implicit marking involves embedding indicators in the data of synthetic content files through technical measures, which are not easily perceptible by users. Implicit marking is a legal obligation requiring AI tool providers to automatically embed indicators during the content generation process and to write them into the file metadata. For foreign companies using AI tools, if the generated content is for internal use only, they are generally exempt from explicit marking. In such cases, foreign companies should verify the implicit marking by the AI tool providers. If no implicit marking is found, they should request the provider to rectify it or complete it themselves. However, if foreign companies publish any AI-generated or synthesised content through online

information and content dissemination services, or deliver it to external third parties, they are obligated to declare and label the content to ensure that it is recognisable as AI-generated. Additionally, they must update the implicit marking to maintain compliance.

d) Third-party AI tool procurement

When purchasing third-party AI tools, foreign companies should conduct thorough due diligence on suppliers' data security qualifications. Service agreements should include clear data protection clauses that outline the responsibilities and obligations of both parties. A common scenario for foreign companies is that, based on the unified procurement management of multinationals' headquarters, their Chinese affiliates may also deploy AI tools from overseas. Any AI tool launched in China must undergo the country's algorithm filing and large model filing/registration processes. AI tools from overseas usually cannot meet such requirements. However, as an exception, current practices may not require overseas AI tools solely used internally to undergo the filing procedure, but companies will need to stay vigilant about regulatory changes.

> **In China, virtually all enterprises engaged in AI development must complete the algorithm filing process as a core compliance requirement.**

3. Compliance considerations for foreign companies as AI developers / service providers

Developing AI for external use introduces additional compliance complexities.

a) Data training

During the data training phase, developers should use legal, diverse and objective data sources, filter out invalid or harmful data, and ensure that the training data is free from false, biased, or infringing content. For data involving personal information, developers should implement de-identification and other desensitisation processes to enhance privacy protection. They should also strengthen data security in key industry sectors, such as government affairs and finance, to guard against the leakage of critical data. In the development process, developers should standardise the data labelling process to improve accuracy and reliability.

b) Filing requirements

In China, all AI tools officially launched for operation, specifically AI services with public opinion or social mobilisation capabilities, as well as any AI tools made available to the public, must undergo the algorithm filing process and large model filing/registration. Additionally, filing with the cybersecurity multi-level protection scheme (MLPS filing) is also required. This constitutes the most critical compliance requirement for developers.

First, in accordance with the *Algorithm Recommendation Regulations* and the *Deep Synthesis Regulations*, the five categories of algorithms subject to mandatory filing—namely algorithms used for recommendations, generative and synthetic content, ranking and selection, retrieval and filtering, or scheduling and decision-making—essentially cover all core algorithm applications in internet information service scenarios. This means that virtually all enterprises engaged in AI development must first complete the algorithm filing process.

Second, under the *Generative AI Interim Measures*, entities that independently develop large models or provide generative AI services to the public after fine-tuning models developed by others must complete the large model filing process before their products are officially launched. In contrast, entities that directly use others' large models without any secondary development only need to conduct large model registration. The

> **No mainstream overseas AI models have passed China's algorithm or large model filing processes.**

latter process is relatively streamlined because the original developer of the AI foundation model has already completed the model's filing, so the invoking company merely needs to register the fact that it is using the model for its own specific business scenarios.

A common scenario for foreign companies is that AI development conducted in China typically involves fine-tuning the open-source large models of other developers. For such companies, the required compliance steps include filing the algorithms corresponding to their products and completing the large model filing process. A key question arises here: Can the large models used for such development be sourced from overseas? As the underlying open-source large models, they must themselves have completed China's algorithm and large model filing. In other words, if a foreign company in China uses an overseas open-source large model as the foundation, that model must have completed the relevant filing process in China. However, to date, no mainstream overseas AI models have passed China's algorithm or large model filing processes, leaving foreign companies that rely on overseas models in a challenging position. Therefore, prioritising the adoption of domestic AI models is advisable.

Moreover, under the three foundational data laws, all network operators are required to undertake the MLPS filing. This obligation requires network operators to classify and grade their systems based on factors like service scope and data sensitivity. They must then complete compliance processes, including filing and level evaluation. During the filing process, a comprehensive review and assessment are conducted on various aspects of the company, including the establishment of data security management systems, technical security measures such as data classification and grading, the formulation of cybersecurity incident emergency plans, and the compliance of the entire process of personal information processing. The process concludes with the approval from the relevant public security department. For companies operating AI tools, this obligation is particularly important and is also explicitly reflected in some local administrative notices. Given the necessity of fulfilling the filing requirements, it is virtually impossible for foreign companies to consider deploying their systems overseas.

c) AI-generated content labelling

Foreign companies operating their own AI tools as service providers should add explicit or implicit markings to AI-generated content and deploy deepfake-detection tools in certain scenarios to verify the sources of information.

d) Data export

Data export is undoubtedly a key compliance concern for developers and operators of AI tools. It often involves large volumes of personal information or data from sensitive industries, which can trigger numerous additional compliance requirements. Therefore, without further elaboration, deploying AI-related systems overseas also presents practical difficulties that call for careful evaluation.

4. Outlook and suggestions

As China's AI regulatory framework continues to evolve, data compliance has become a critical cornerstone and strategic necessity for foreign companies pursuing sustainable growth in the Chinese market. Looking ahead, amid advancing technology and increasingly refined regulations, foreign companies must remain vigilant and integrate data compliance into all business facets to tap into AI's potential while ensuring legal and secure application. To proactively navigate this complex landscape, targeted measures are recommended as follows:

- Establish a dedicated compliance team to develop and implement tailored data compliance policies;
- Enhance technical safeguards such as data anonymisation and encryption to strengthen data security;
- Conduct regular employee training to improve compliance awareness and reduce inadvertent violations;
- Stay updated on AI and data regulatory changes to adjust compliance strategies in a timely manner; and
- Proactively engage with regulatory authorities to gain insights and guidance, aligning business practices with regulatory expectations.

By implementing these measures, foreign companies should be well positioned to address and offset potential compliance risks and lay a solid foundation for stable development in China's AI market.

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As a top global law firm, **CMS** provides a full range of legal and tax services in over 50 countries, with more than 90 offices and 7,200 CMS lawyers worldwide. CMS China (Shanghai, Beijing, and Hong Kong) offers business-focussed advice tailored to companies' needs.

China ShortCuts

The European Chamber launched its new, short-format podcast series in October 2022.

China ShortCuts is a five-minute weekly catch-up about the Chinese business landscape.

Tune in to stay informed on the latest economic data, market trends, and policy and regulatory updates that could shape your industry.

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5 minutes

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9TH JAN.
NATIONAL

European Chamber presents Position Paper in Madrid

European Chamber President Jens Eskelund and Chamber Vice President and Shanghai Chapter Chair Carlo D'Andrea meeting with Spanish government and industry stakeholders
Photo: European Chamber

On 8th and 9th January, European Chamber President Jens Eskelund and Chamber Vice President and Shanghai Chapter Chair Carlo D'Andrea visited Madrid to meet with government and industry stakeholders. They presented the Chamber's *European Business in China Position Paper 2025/2026* and provided a high-level overview of the business environment in China.

During the visit, the pair met with officials including Juan Luis Gimeno, director general for economic and trade intelligence, and Julián Conthe, director general for trade policy and economic security, at the Spanish Ministry of Economy. They also participated in an exchange with representatives of the Senate and Congress hosted by Teresa Belmonte Sánchez, first vice president of the Senate Committee on Economy, Trade and Business.

In addition to government stakeholders, Eskelund attended events organised by the Spanish Confederation of Business Organizations and the think tank Instituto Elcano, and met with academics and former Spanish diplomats posted in China.

19TH JAN.
BEIJING

President Eskelund addresses New Year foreign investment reception

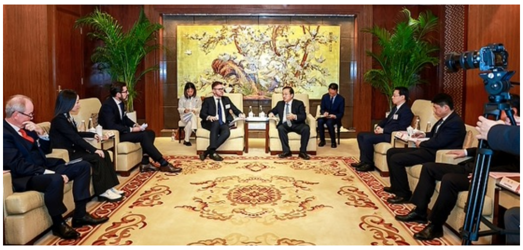
European Chamber President Jens Eskelund speaking at the reception
Photo: European Chamber

On 19th January, European Chamber President Jens Eskelund attended the New Year reception held by the China Association of Enterprises with Foreign Investment and delivered a keynote address. Vice Minister of Commerce Ling Ji was also in attendance.

Eskelund noted that economic and trade ties between the European Union (EU) and China have been mutually beneficial. At the same time, he noted that the current difficulties will need to be overcome if the bilateral relationship is to reach its full potential and emphasised the importance of engaging in frank, open dialogue. Eskelund ended his address by commending the Ministry of Commerce for its efforts to support EU-China economic engagement, and reaffirmed the commitment of the Chamber and its member companies to contributing their expertise with the goal of improving China's business environment.

21ST JAN.
SHANGHAI

Shanghai Chapter meets Jiangsu Department of Commerce director general



A European Chamber delegation with Party Secretary and Director General Si Yong
Photo: European Chamber

On 21st January, Carlo D'Andrea, vice president of the European Chamber and chair of the Shanghai Chapter, led a delegation of business executives to meet with Si Yong, party secretary and director general of Jiangsu Department of Commerce, on the sidelines of a New Year networking dinner held for foreign chambers of commerce and consulting firms operating in Jiangsu.

The delegation reiterated the strategic importance of Jiangsu to European businesses operating in China, and noted how they are well-placed to contribute to the province achieving its industrial priorities. Company representatives then raised key concerns in their industries, including a lack of equal treatment in government procurement, difficulties complying with EU and third-country globally binding legislation, and challenges faced by firms trying to decarbonise their China operations.

23RD FEB.
NATIONAL

European Chamber delegation visits European capitals

A delegation led by President Jens Eskelund meeting with government and industry stakeholders in Italy and France
Photo: European Chamber

Between 23rd February and 5th March, European Chamber President Jens Eskelund led a delegation of Chamber representatives to visit Rome, Paris, Berlin and Brussels, where they met with officials from European Union Member States and the European Commission, as well as think tanks.

In Rome, the delegation—which included Chamber Vice President Carlo D'Andrea, Tianjin Chapter Chair Mirko Turrina, Information and Communication Technology Working Group Vice Chair Simone Ciampi, and Overseas Representative in Rome Renata Pavlov—met with Chief of Staff for the Ministry of Enterprises and Made in Italy Federico Eichberg, Member of Parliament Vinicio Peluffo, and representatives from the Italian Trade Agency, Confindustria and the Istituto Affari Internazionali.

In Paris, Eskelund, together with Chamber States' Representative Bruno Weill and Overseas Representative in Paris Charlotte Roule, met Claire Cheremetinski, deputy director general, Directorate-General of the Treasury, Ministry of Finance; representatives from the Ministry of Foreign Affairs; František Ružička, deputy secretary general of the Organisation for Economic Co-operation and Development; and Committee France-China.

In Berlin, Eskelund met stakeholders together with Chamber board member Markus Borchert and Finance and Taxation Working Group Vice Chair Magnus Sprenger. They met with State Secretary Dr Claudia Stutz and other stakeholders at the Federal Ministry of Transport; Director General for External Economic Policy Ralph Böhme at the Federal Ministry of Economic Affairs and Energy; Director General for Geoeconomics Oliver Rentschler at the Federal Foreign Office, and other government representatives.

The Chamber delegation's visit to Europe concluded in Brussels. Eskelund met Deputy Director General Maria Martin Prat of the Directorate-General for Trade at the European Commission; members of the European Parliament from RenewEurope, and other Commission officials. He also met with representatives from the European Round Table for Industry and BusinessEurope.

CHINA'S CONSUMER SECTOR IN 2026

Risks and opportunities for European businesses

China's consumer market is currently at a turning point. Economic uncertainty continues to weigh on confidence, but the sector remains supported by policy focus, the emergence of new growth areas, consumer-led innovation and rapid digital adoption. Future growth is likely to be uneven, with opportunities emerging in specific segments rather than across the market. In this article, **Nanda Lau** and **Alizee Zheng** explain what this means for European businesses.

European businesses in China face an uncertain year. Opportunities remain, but success now depends on sharper focus and deeper localisation, supported by disciplined execution. The year ahead will be shaped by shifting consumer behaviour, alongside selective investment activity and a more demanding compliance environment.

Part I: Key consumer trends shaping 2026

1) Policy support continues to favour consumption-led growth

China has made boosting household consumption a clear priority. The 15th Five-year Plan calls for a significant rise in the household consumption rate, backed by measures introduced since 2025 to lift confidence and spending. These include government subsidies for trade-in programmes that encourage consumers to replace old appliances and products with newer and more energy-efficient ones.

For European consumer businesses in China, policy support favours services, quality products and sustainability, but comes with higher expectations for product standards and compliance.

2) Consumer behaviour reflects both caution and aspiration

Chinese consumers remain cautious about spending, placing a greater focus on price and value. Yet this caution has not removed demand for experiences. Younger consumers continue to spend on wellness and products with emotional appeal, such as collectable toys or immersive pop-up events.

Health and wellness remains a long-term trend, with steady demand for fitness and preventative care. For consumer brands, this underlines the need to balance affordability with differentiation and experience-led positioning.

3) Technology is becoming a key driver of competition

Digitalisation across retail and services continues to accelerate. Artificial intelligence (AI)-enabled tools are now part of everyday product development and marketing, and are increasingly shaping how companies engage with customers. What matters most is not the technology itself, but how rapidly it is becoming embedded in core business functions and operational processes.

For European companies, this makes localisation essential, from digital strategy and platform integration to early attention to data and AI compliance.

Recent policy signals reinforce this direction. The latest Government Work Report highlights faster AI commercialisation and growth in the digital sector. For consumer businesses, this supports technology-driven, experience-led consumption while raising expectations for compliance and responsible AI use.

4) Travel and experience-based consumption are regaining momentum

China's tourism sector continues to recover, supported by improving mobility and more flexible entry policies. Domestic, inbound and outbound travel are all contributing to growth across hospitality and travel retail.

This recovery reinforces the shift toward experience-based consumption and creates renewed opportunities for European brands with premium and experiential offerings.

Part II: Investment and mergers and acquisitions (M&As)

China's consumer sector entered a period of adjustment in 2025. While liquidity remained constrained and investor sentiment was cautious in some areas, the sector continued to offer selective opportunities, particularly in segments aligned with long-term consumption trends.

1) Policy support and financing flexibility

Recent policy measures point to a more supportive environment for inbound investment and deal-making. Steps to facilitate foreign participation in M&As, including streamlined approval processes and greater flexibility for cross-border share swaps, are expected to lower execution barriers for overseas investors (including under the *Action Plan for Stabilising Foreign Investment*, released in February 2025[1]).

[1] *2025 Action Plan for Stabilising Foreign Investment*, State Council, 22nd February 2025, viewed 29th March 2026, <https://english.www.gov.cn/news/202502/22/content_WS67b9044dc6d0868f4e8efdff.html>

Policy direction also continues to favour service-led consumption, with encouragement for foreign investment in areas such as healthcare, elderly care, culture, tourism and education. These segments are likely to attract increasing attention from strategic and financial investors in 2026.

Financing conditions have also improved. Regulatory changes have expanded the availability and terms of M&A loans—including for transactions involving control and minority equity participation—under the *Administrative Measures for M&A Loans by Commercial Banks*, effective 31st December 2025.[2] Together, these developments help ease funding constraints and support restructuring and consolidation in the consumer sector.

2) Portfolio reshaping and private equity activity

Market conditions are driving a reassessment of corporate portfolios. Both domestic and multinational companies are reviewing their China operations, with increased focus on core brands and growth platforms. This has resulted in a number of high-profile carve-outs and divestments of non-core or underperforming assets.

These transactions highlight the growing role of private equity as active owners of established consumer brands, focussed on unlocking brand value following acquisition.

At the same time, joint ventures remain a common structure for international brands seeking market access, local insight and risk sharing in a more complex operating environment.

3) Outbound investment gains momentum

Competitive pressure at home continues to drive Chinese consumer brands to expand overseas. This trend spans multiple sectors, including food and beverage, e-commerce and lifestyle brands. The global expansion of Chinese collectable toy intellectual property (IP) is one example of how domestic brands are gaining traction with international consumers and reshaping traditionally global categories.

> **"Deal activity in China's consumer sector is likely to pick up in 2026 as policy support, improved financing conditions and portfolio restructuring converge."**

Outbound strategies increasingly extend beyond product exports. Many companies are building integrated overseas operations to diversify supply chains and gain direct access to high-growth consumer markets, particularly in Southeast Asia. As these businesses scale globally, they are becoming more influential competitors for established multinational players.

4) Capital markets remain active

Hong Kong continues to serve as a key offshore listing venue for Chinese consumer companies. The retail and consumer sector remained one of the more active initial public offering segments in 2025, with proceeds commonly used to fund overseas expansion and broader international brand development.

This capital-raising activity aligns with broader outbound investment trends and is expected to remain an important funding channel for Chinese consumer businesses with global ambitions.

5) Looking ahead

Dealmaking activity in China's consumer sector is likely to pick up in 2026 as policy support, improved financing conditions and portfolio restructuring converge. Opportunities are expected to centre on strategic acquisitions, carve-outs and partnerships that unlock brand value and operational synergies.

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[2] *Administrative Measures for M&A Loans by Commercial Banks*, National Financial Regulatory Administration, 31st December 2025, viewed 29th March 2026, <https://www.gov.cn/zhengce/zhengceku/202601/content_7053613.htm>

Companies that combine disciplined investment strategies with clear long-term brand positioning will be best placed to benefit from the next phase of growth.

Part III: Key regulatory and compliance risks to watch in 2026

Regulatory expectations in China's consumer sector continue to rise. Enforcement is becoming more demanding and less forgiving, increasing the importance of governance, preparation and early risk management for European businesses operating in China in 2026.

1) Higher standards, more targeted enforcement

Regulatory enforcement in the consumer sector is becoming more focussed and systematic. Authorities are placing sustained focus on product safety and service quality, alongside fair market conduct, particularly in areas linked to everyday consumption.

This direction is reflected in nationwide enforcement initiatives and closer supervision of higher-risk products and services, such as the 'Iron Fist Campaign' in a number of cities.[3] Enforcement practice is also evolving. Regulators are increasingly combining penalties with guidance and corrective measures, including greater use of warnings and leniency for minor or first-time breaches.

For European consumer businesses, baseline compliance standards are rising, but proactive engagement and strong internal controls, supported by early remediation, can still make a meaningful difference to regulatory outcomes.

2) Geopolitics meets compliance

Geopolitical tensions are increasingly intersecting with regulatory enforcement in ways that have direct operational consequences for foreign businesses. China's sanctions and export control framework makes clear that geopolitical exposure can translate into contractual and compliance risk within the domestic market, including under China's Anti-foreign Sanctions Law[4] and the *Unreliable Entity List* regime.[5]

For European businesses, a China-specific approach to geopolitical risk is increasingly essential. Contracts and supply chains need closer attention, alongside robust internal governance. In sensitive areas, increased scrutiny of data security and consumer protection is also likely, making geopolitical risk management part of day-to-day compliance and operational decision-making in 2026.

3) Competition rules tighten

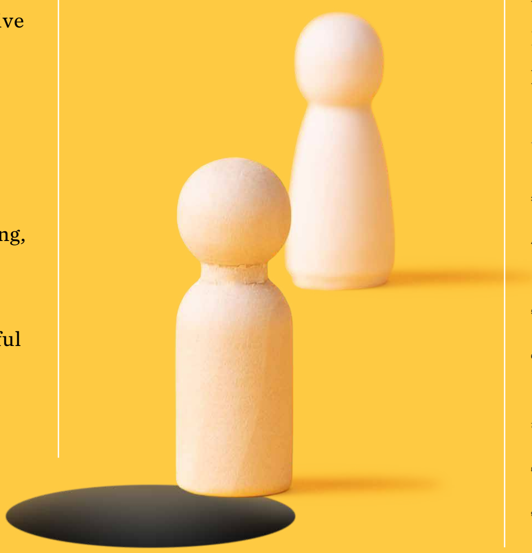
China's competition framework is placing greater emphasis on fair and orderly competition, reflecting recent legislative and judicial developments. The revised Anti-unfair Competition Law (effective 15th October 2025) strengthens safeguards against abuse of advantageous positions by large enterprises, tightens oversight of platform conduct, and explicitly addresses practices such as data scraping, unauthorised data use, fake orders, fake reviews and malicious returns.[6]

Judicial practice is also developing alongside these changes, while the regulatory framework is becoming more clearly defined. Recent updates provide clearer guidance on acceptable conduct, including the introduction of defined safe-harbour thresholds for certain vertical agreements under the *Revised Provisions on the Prohibition of Monopoly Agreements*.[7]

For European consumer businesses, distribution models and platform relationships are therefore likely to face closer examination, particularly where vertical non-price restraints are involved. Practices previously tolerated, such as territorial restrictions, may now warrant reassessment as antitrust supervision becomes more proactive and preventive.

4) Stronger IP protection, higher expectations

China continues to strengthen its IP framework, reinforcing IP protection as part of its shift toward innovation-driven growth. Policy direction and judicial practice increasingly point to a



[3] *2026 Qinghai Province Typical Cases of the "Iron Fist" Action in the Investigation and Handling of Cases in the Field of People's Livelihood, Sina,* 17th March 2026, viewed 3rd April 2026, <https://finance.sina.com.cn/jjxw/2026-03-17/doc-inhrhpmw3949957.shtml>

[4] *Anti-foreign Sanctions Law*, Standing Committee of the National People's Congress, 10th June 2021, viewed 3rd April 2026, <https://flk.npc.gov.cn/detail?id=ff80818179f5dd9f-0179f89e7a1d05d3&fileId=&type=&title=%E4%B8%AD%E5%8D%8E%E4%BA%BA%E6%B0%91%E5%85%B1%E5%92%8C%E5%9B%BD%E5%8F%8D%E5%A4%96%E5%9B%B-D%E5%88%B6%E8%A3%81%E6%B3%95>

[5] *Provision on the Unreliable Entity List*, Ministry of Commerce, 19th September 2020, viewed 3rd April 2026, <http://english.mofcom.gov.cn/Policies/AnnouncementsOrders/art/2020/art_26e3c471536d443c944d60c91bacaf9a.html>

[6] *Anti-unfair Competition Law*, Standing Committee of the National People's Congress, 15th October 2025, viewed 3rd April 2026, <https://flk.npc.gov.cn/detail?id=ff808181971552b-40197b1016efc5437&fileId=&type=&title=%E4%B8%AD%E5%8D%8E%E4%BA%BA%E6%B0%91%E5%85%B1%E5%92%8C%E5%9B%BD%E5%8F%8D%E4%B8%8D%-E6%AD%A3%E5%BD%93%E7%AB%9E%E4%BA%89%E6%B3%95>

[7] *Revised Provisions on the Prohibition of Monopoly Agreements*, State Administration for Market Regulation, 1st February 2026, viewed 3rd April 2026, <https://www.samr.gov.cn/zw/zfxxgk/fdzdgknr/fgs/art/2025/art_1145a4952f114948a68980fda8c0bdef.html>

[8] *2025 Promotion Plan for Intellectual Property Powerhouse Construction*, State Council, 7th May 2025, viewed 29th March 2026, <https://english.www.gov.cn/news/202505/08/content_WS681ca582c6d0868f4e8f2594.html>

[9] *Patent Examination Guidelines*, National Intellectual Property Administration, 13th November 2025, viewed 29th March 2026, <https://www.cnipa.gov.cn/art/2025/11/13/art_74_202560.html>

more predictable and enforceable IP environment, particularly for brand-led and technology-enabled consumer businesses.

This direction is reflected in recent policy initiatives and regulatory updates, including the *2025 Promotion Plan for Intellectual Property Powerhouse Construction*[8] and the updated *Patent Examination Guidelines*, effective 1st January 2026.[9] These measures strengthen trademark and trade-secret protection while offering clearer treatment of innovations linked to digital and data-driven business models.

For European consumer businesses, the environment supports continued investment in brand value and innovation. At the same time, expectations are rising around proactive IP strategy, from early registration and trade-secret management to closer alignment between innovation pipelines and China-specific protection mechanisms. IP risk management is increasingly a strategic enabler, rather than a defensive afterthought.

5) Data and AI under closer scrutiny

Regulation of data and AI is tightening rapidly. Compliance thresholds are rising across the full lifecycle of data collection, use and transfer, turning what was once an information technology issue into a core governance and reputational risk for consumer-facing businesses.

This shift is reflected in a series of regulatory updates covering personal information, biometric data, cybersecurity incident reporting and cross-border data flows.

AI governance is also accelerating. New guidance sets clearer expectations for labelling and risk management

> “For European businesses, data governance and AI compliance can no longer be treated as peripheral.”

of AI-generated content, supported by active enforcement against non-compliant applications.

For European businesses, data governance and AI compliance can no longer be treated as peripheral. Transparent data practices and strong internal controls, aligned early with digital strategy and regulatory requirements, will be critical to managing risk and maintaining consumer trust in 2026.

6) Employment flexibility narrows

China's employment regulatory framework continues to evolve, with recent regulatory and judicial developments providing greater clarification on the application of employment arrangements.

Guidelines issued by the Ministry of Human Resources and Social Security in September 2025 specify that non-compete agreements should generally apply only to senior management and technical personnel with access to trade secrets, with defined requirements on geographical scope and minimum compensation standards.[10] In the same period, guiding cases released by the Supreme People's Court have clarified how courts determine employment relationships between platform companies and workers. In addition, the *Interpretation on the Application of Law in the Trial of Labour Dispute Cases (II)*, effective from September 2025, strengthens employee protections and ensures nationwide consistency in labour dispute rulings.[11]

For European employers, these developments highlight the importance of reviewing employment documentation and management practices in light of evolving judicial standards.

As China's consumer sector moves into 2026, regulatory and policy developments will continue to shape an evolving market. Businesses operating in the sector will need to follow developments closely, understand their compliance exposure and respond through targeted commercial and investment decisions.

Early preparation, supported by strong governance and disciplined execution will be critical. In a market that remains attractive but increasingly complex, the ability to manage risk while staying aligned with policy and consumer trends will help build competitive advantage. Eb

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[10] *Compliance Guidelines on the Implementation of Non-compete Clauses by Enterprises*, General Office of the Ministry of Human Resources and Social Security, 4th September 2025, 3rd April 2026, <https://www.gov.cn/zhengce/zhengceku/202509/content_7040571.htm>

[11] *Interpretation on the Application of Law in the Trial of Labour Dispute Cases (II)*, Supreme People's Court, 31st July 2025, viewed 29th March 2026, *<https://supremepeoplescourt–monitor.com/wp–content/uploads/2025/08/interpretation–ii–of–the–supreme–people–s–court–of–issues–concerning–the–application–of–law–in–the–trial–of–labor–di.fbm–cli.3.5302729en.pdf>*

Reporting cybersecurity incidents

What foreign companies need to know

China now has one of the strictest regimes in the world for reporting cybersecurity incidents, and new reporting rules are likely to bring fresh compliance challenges for multinationals operating in the country. In this article, **Alex Roberts**, **Yang Fan** and **Tiantian Ke** outline the latest reporting rules and the steps companies need to take to maintain compliance.

The Cyberspace Administration of China (CAC) has introduced a new regime for cybersecurity reporting, which took effect on 1st November 2025. This comprises the new *Administrative Measures for National Cybersecurity Incident Reporting*, accompanied by the *Cybersecurity Incident Grading Guide* (*Reporting Measures*).[1] A dedicated reporting platform is now available for firms to facilitate online reporting.

The finalised *Reporting Measures* came in less than one week after a foreign company was sanctioned for non-compliance with China's cross-border data transfer requirements, following the company's disclosure in May that a cybersecurity breach resulted in unauthorised access to customer data in China.[2]

Organisations operating in China should take immediate action to assess their data breach reporting protocols and processes to ensure they meet the stringent reporting timelines in the event of a data breach.

Cybersecurity incidents classified according to four tiers

Consistent with the original draft consultation, the *Reporting Measures* classify cybersecurity incidents into four tiers based on their impact on national security, social order, economic activity and the public interest: 'general (一般)', 'relatively severe (较大)', 'severe (重大)' and 'particularly severe (特别重大)'.

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[1] *National Cybersecurity Incident Reporting Management Measures,* Cyberspace Administration of China, 15th September 2025, viewed 30th March 2026, <https://www.cac.gov.cn/2025–09/15/c_1759583017717009.htm>

[2] Langley, M., *Dior Confirms Data Breach Exposing Chinese Customer Information, Security Daily Review,* 15th May 2025, viewed 30th March 2026, <https://dailysecurityreview.com/security–spotlight/dior–confirms–data–breach–exposing–chinese–customer–information/>

The *Reporting Measures* impose stringent reporting timelines and procedures for incidents classified as 'relatively severe' and above. An incident may be considered 'relatively severe', for example, if it involves the loss, theft, tampering, or falsification of important data or a large volume of personal information that poses a serious threat to national security and social stability.

The *Reporting Measures* do not explicitly state whether 'general' incidents must be reported. It remains unclear if these lower-level incidents are exempt or if they will be subject to a more relaxed reporting timeline pending further clarification from the regulator. In any event, organisations in regulated industries such as financial services must also pay attention to industry-specific rules.

Who must report a cybersecurity incident?

This will depend on the nature of an organisation's business:

- **Network operator:** The legal obligation to make a report rests with the network operator. This refers to the entity that builds, operates, or provides services through electronic networks within mainland China and aligns with the definition of a network operator in the Cybersecurity Law (CSL). In essence, businesses operating in China will broadly be subject to these reporting requirements.
- **Information technology services providers:** The *Reporting Measures* require network operators to contractually oblige their third-party vendors, such as cybersecurity service or system maintenance providers to notify them of any incidents promptly and provide all necessary assistance within the reporting process.
- **Overseas businesses:** While the *Reporting Measures* do not explicitly create direct extra-territorial liability for offshore businesses processing data originating from China, overseas businesses may still be indirectly affected in several ways. An offshore service provider may be contractually required to promptly report to its customers in China and assist them to fulfil their reporting obligations. In particular, offshore recipients are contractually bound to notify their Chinese partners of a data breach under standard contractual clauses (SCCs). However, although the use of 'network operator' implies that the primary jurisdictional scope of the *Reporting Measures* remains consistent with the CSL—focusing mainly on networks within mainland China—given that the *Reporting Measures* implement the CSL, the Data Security Law and the Personal Information Protection Law (PIPL), offshore businesses can still be subject to the extra-territorial application of the PIPL.

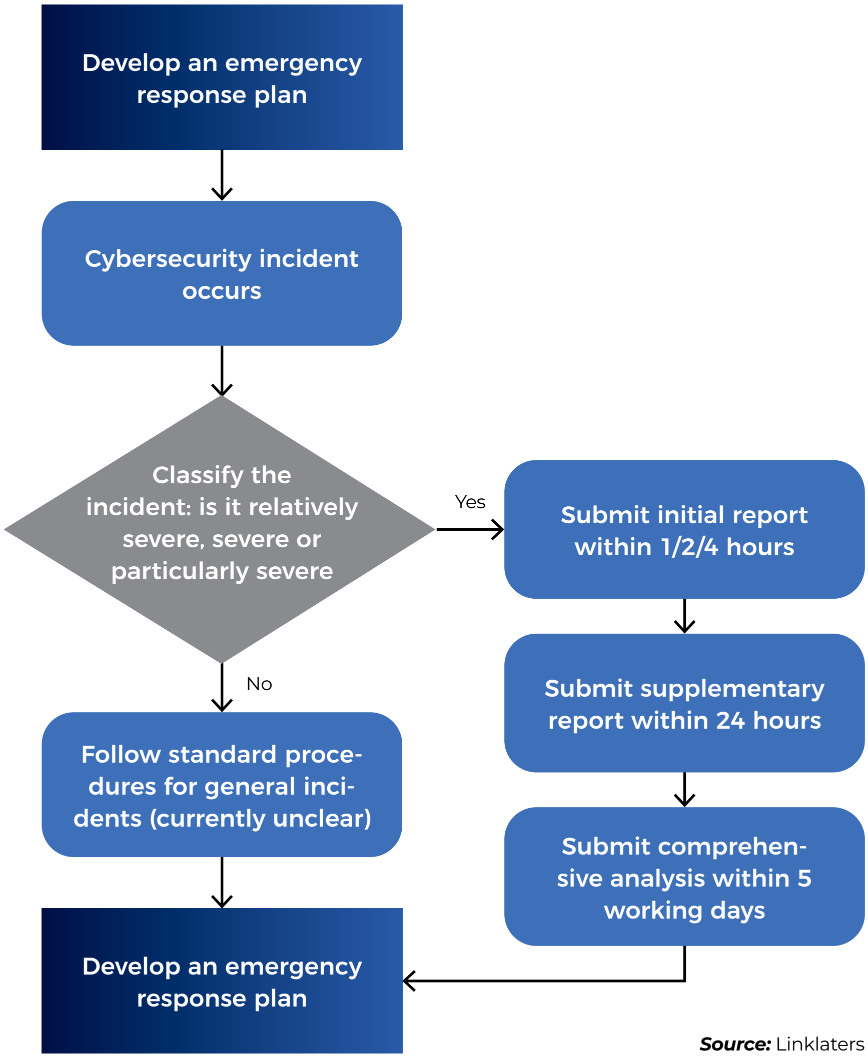
This regime places increased importance on vendor due diligence and sound contractual governance. Multinational enterprises should carefully review their vendor contracts and incident response plans to ensure these obligations are clearly addressed and that their suppliers are prepared to meet the compliance requirements in practice.

How should reports be made?

The *Reporting Measures* map out different reporting channels and the required timeline in the event of relatively severe, severe, or particularly severe incidents:

Who suffers the incident?	To whom must they report, and when?
Critical information infrastructure (CII) operator	Report to relevant CII protection department and public security bureau within **1 hour**
Network operator whose network or system is regulated by a department of the PRC central government, a state organ, or an enterprise or public institution administered by a state organ	Report to cyberspace administration of department concerned within **2 hours**
Other network operators	Local-level cyberspace authorities within **4 hours**
Service provider providing services to a network operator	Network operator (and, in some cases, also the cyberspace authorities)
...and some scenarios carry other reporting obligations in addition to those above...	
Network operator regulated by certain sectoral authorities	Competent sectoral regulatory authorities (e.g., financial regulators such as the People's Bank of China)
Network operator that suffers an incident relating to a crime	Competent public security bureau

Source: Linklaters



Source: Linklaters

A reporting flowchart

Following the *Reporting Guidelines*' grading criteria, in the event of any relatively severe, severe, or particularly severe cybersecurity incidents, network operators must operate according to the above flowchart.

Are there benefits to reporting a cybersecurity incident?

The *Reporting Measures* include provisions that, at the discretion of the regulatory authorities, reduce or exempt a network operator's liability if the network operator adopts reasonable and necessary protective measures and promptly reports incidents to the authorities.

To benefit from potential exemptions, organisations should establish a comprehensive cybersecurity handling and emergency response plan.[3]

What next?

- **Industry and sector-specific reporting rules and guidelines:** Financial institutions should be aware of the People's Bank of China cybersecurity reporting rules, effective 1st August 2025, which introduce very tight timelines.[4] For significant incidents, these rules mandate a brief report within one hour and a detailed report within 24 hours, highlighting the need for rapid response capabilities. In parallel, a non-binding practice guide has also been released for generative artificial intelligence services, outlining methods for incident classification and emergency response. Both developments highlight the growing regulatory focus on creating specific security frameworks for high-risk sectors.

- **Increased regulatory enforcement:** Recent actions from regulators, such as the publication of typical enforcement cases in September 2025, signal a clear trend towards stricter enforcement of data security laws.[5] This demonstrates that authorities are actively monitoring compliance and are prepared to penalise organisations that fail to meet their legal obligations. Additionally, the amendments to the CSL, which took effect on 1st January 2026, have further strengthened enforcement mechanisms and expanded regulatory powers, underscoring the authorities' commitment to robust oversight.[6]

[3] *Cyber Security Handbook Version 2: The Essential Handbook for In–house Counsel*, Linklaters, March 2026, viewed 1st April 2026, <https://edge.sitecorecloud.io/linklaterslbf57–linklatersx7ccc–linklatersxf9f5–394d/media/digital–marketing–image–library/files/04_client–services/data–and–cyber/linklaters–––cybersecurity–handbook–update–––march–2026–––digital.pdf>

[4] *People's Bank of China Cybersecurity Reporting Rules*, State Council, 1st August 2025, viewed 30th March 2026, <https://www.gov.cn/gongbao/2025/issue_12186/202507/content_7034092.html>

[5] *The Cyberspace Administration of China has released recent typical cases of law enforcement related to network security, data security, and personal information protection*, Internet Information China, 16th September 2025, viewed 30th March 2026, <https://mp.weixin.qq.com/s/–EfW7ImfLGJI_ihc970I9A>

[6] *China's 2025 Cybersecurity Law amendments: Enhanced penalties, expanded extraterritorial application, and AI governance*, Linklaters, 4th November 2025, viewed 30th March 2026, <https://techinsights.linklaters.com/post/102lrz5/chinas–2025–cybersecurity–law–amendments–enhanced–penalties–expanded–extraterr>

Key takeaways for multinationals

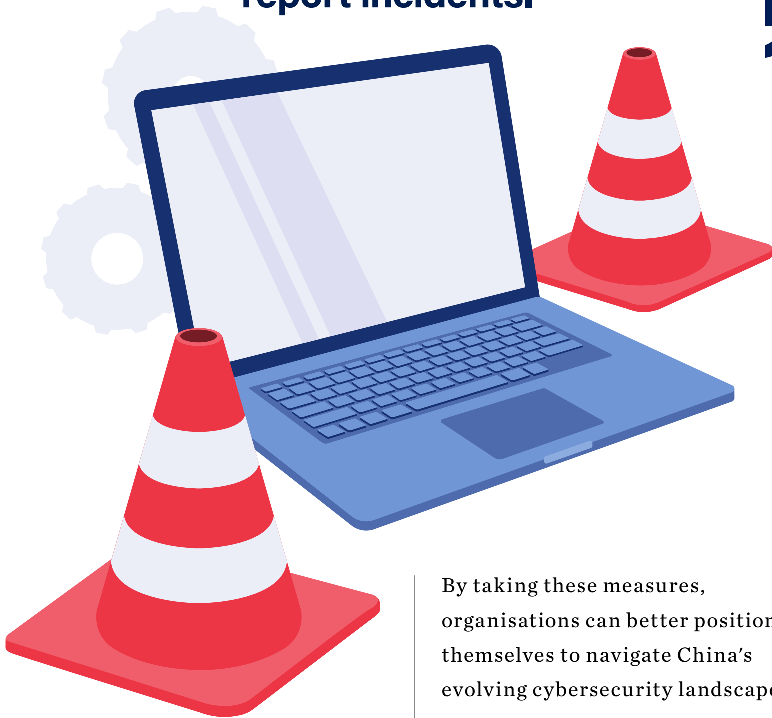
In light of these developments, multinationals operating in China should take proactive steps to ensure compliance and mitigate regulatory risks. Companies should:

- **Review and update incident response plans:** The *Reporting Measures* include provisions that may reduce or exempt liability for network operators that adopt reasonable and necessary protective measures and promptly report incidents. Organisations should develop and maintain a robust cybersecurity incident handling and emergency response plan to position themselves to benefit from these potential exemptions. Existing incident response plans and policies should be updated to reflect the latest *Reporting Measures*, including the stringent one-, two- or four-hour initial reporting timelines, where applicable, to enable rapid assessment and escalation when an incident occurs.

- **Strengthen vendor due diligence and contract management:** Review contractual arrangements with external vendors. Contracts should clearly specify reporting timelines, notification obligations and cooperation mechanisms to facilitate compliance with the *Reporting Measures*.

- **Implement robust pre-incident preparation more broadly:** A serious cyber incident can be a traumatic experience requiring significant decisions to be made immediately against a background of potentially incomplete and inaccurate information, and the more that can be done to prepare for and practise a response, the less painful the experience will be.

> “The *Reporting Measures* include provisions that may reduce or exempt liability for network operators that adopt reasonable and necessary protective measures and promptly report incidents.”



- **Monitor industry-specific reporting requirements and prepare for heightened regulatory enforcement:** Organisations in regulated sectors, such as financial services, should pay close attention to sector-specific cybersecurity reporting rules, which may impose additional or more stringent obligations. In response to recent regulatory actions signalling a clear trend towards stricter oversight, organisations should ensure that their compliance frameworks are sufficiently robust to mitigate increased regulatory scrutiny and should conduct regular internal assessments to identify and address any gaps.

By taking these measures, organisations can better position themselves to navigate China's evolving cybersecurity landscape. Eb

Note:

A previous version of this article appeared on the Linklaters website.

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Linklaters operates at the forefront of all major practice areas and sectors, providing innovative, commercial solutions to its clients' most complex corporate, finance and contentious matters. The firm has a leading presence in the Greater China Region and offers high-quality legal advice in Hong Kong, English and US law.

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BEYOND THE ANNUAL AUDIT

Strengthening fraud oversight in China

In recent years, multinational companies operating in China have devoted significant attention to external risk factors such as geopolitical tensions and trade disputes. Yet while external risks command executive focus, internal risks can quietly accumulate. **Paul Tan** explains the different mandates of external auditors and forensic auditors, the practical implications of those differences, and why deploying the right expertise at the right time materially influences outcomes when concerns arise.

Identifying and managing risk is essential to running a successful business. Senior management teams tend to focus on external risks – risks that are usually visible, widely reported, and often perceived as existential to market access and operational continuity. However, in China it is often misconduct by internal actors—usually in collusion with third parties—that is particularly prevalent when economic conditions are challenging. These issues may remain undetected for extended periods, particularly where there is misplaced reliance on routine audits or assumptions that global compliance programmes will function identically across jurisdictions.

When internal fraud and misconduct come to light, it is often triggered by external events such as a tax inspection, whistleblower report, business partner dispute, or government investigation rather than as a result of internal control audit procedures. The organisation must not only respond to the external allegations of wrongdoing, but it must also understand why its oversight systems failed to identify the issue.

Contrasting the distinct roles between external auditors and forensic auditors is therefore not merely a technical accounting matter. It is central to how companies design effective oversight frameworks, deploy external resources appropriately, and manage legal, regulatory and reputational risk in complex environments such as China.

External auditor or investigator?

According to the Association of Certified Fraud Examiners (ACFE), external audits detect fewer than three per cent of occupational fraud cases.[1] This limitation stems from the fundamental design of external audits, which focus on providing reasonable assurance about financial statement accuracy rather than conclusions on comprehensive fraud detection. When specific financial irregularities are suspected or alleged, organisations require specialised investigative expertise that goes beyond traditional audit methodologies.

One way to understand the roles of external auditors and forensic auditors is through the analogy of law enforcement functions:

- External auditors are like patrol officers, focussed on routine oversight to maintain order.
- Forensic auditors are like detectives, brought in when something has gone wrong, and a thorough investigation is needed.

External auditors: Routine oversight for assurance

Like patrol officers, external auditors maintain oversight through structured procedures. Their work includes:

- **Preventive presence:** External audits have a deterrent effect by promoting accurate financial reporting, but detection of wrongdoing is not their primary aim.
- **Standardised methodology:** Auditors follow established procedures, examining financial statements through a combination of risk-based and statistical sampling techniques to evaluate whether financial statements are fairly presented in line with applicable accounting standards.
- **Materiality focus:** Efforts are concentrated on areas most likely to contain material misstatements for the specific reporting period.

This is akin to patrolling a known high-crime area: visible, structured, but reactive only to observed violations.

Forensic auditors: Targeted investigative specialists

Forensic auditors operate like detectives and are engaged when red flags emerge. Their work differs fundamentally from the role of external auditors:

- **Event-driven engagement:** Forensic auditors are typically engaged as a result of specific allegations, anomalies, or suspicions of misconduct. Even if used proactively, it is in response to a specific risk or concern.
- **Comprehensive examination:** Rather than relying on sampling, forensic auditors assess all relevant data to uncover facts – who did what, when, how and why.
- **Legal orientation:** Forensic work is conducted with potential legal proceedings in mind. As such, forensic auditors often work under legal privilege and must ensure evidence collection and documentation meet standards for admissibility in litigation or regulatory proceedings. No such privilege exists for external auditors or their underlying audit evidence.

What sets forensic auditors apart

Different tools for different objectives

Aspect	External audit	Forensic audit
Trigger	Routine, annual process	Reactive to specific allegations or identified risk
Approach	Sampling techniques based on materiality	Comprehensive review of all relevant data
Evidence standards	Sufficient for audit opinion	Must meet legal admissibility standards
Reporting	Opinion on financial statements	Factual findings used by management, regulators, or courts

[1] McGowan, D., and McNeil, A., *Fighting Fraud: A Shared Responsibility*, The Center for Audit Quality, 25th June 2024, viewed 3rd March 2026, <https://www.thecaq.org/aia–fighting–fraud–a–shared–responsibility>

Internal investigations: Uncovering the facts

Organisations engage forensic auditors when specific financial irregularities or other forms of employee misconduct are suspected or alleged. Common scenarios include:

- **Asset misappropriation cases:** When employees are suspected of theft, unauthorised payments, or creating fictitious transactions for personal benefit.
- **Financial reporting fraud:** When management may be manipulating financial results through improper revenue recognition, expense manipulation, or other accounting irregularities.
- **Corruption and conflicts of interest:** When concerns arise about bribery, kickbacks, or undisclosed related-party transactions.

The investigative approach employed by forensic auditors enables them to trace transaction flows, analyse patterns, conduct interviews, and utilise digital forensics techniques that are beyond the scope of traditional external audits. Their training in accountancy and audit principles means they can also support the company and its legal advisors in ensuring the internal investigation is scoped and delivered to meet external auditors' expectations.

Forensic auditors support in legal and regulatory actions

Evidence that holds up in court

Unlike external auditors, forensic auditors tailor their work for potential legal proceedings by ensuring:

- **Rigorous documentation:** All investigative procedures are thoroughly documented with clear chains of custody for physical and electronic evidence.
- **Preservation protocols:** Electronic evidence is collected and preserved using forensically sound methods that maintain data integrity.
- **Forensic standards:** Forensic investigations adhere to professional standards that support the admissibility of findings in litigation or regulatory proceedings.

Interfacing with regulators

Forensic auditors often serve as intermediaries between organisations and regulatory authorities, helping to:

- **Facilitate disclosure:** Ensuring that regulatory reporting requirements are met with accurate and complete information about identified misconduct.
- **Support cooperation:** Providing well-documented findings that demonstrate organisational commitment to addressing compliance issues.
- **Expert testimony:** Serving as expert witnesses who can explain complex financial matters to regulators, courts and arbitrators.

A key objective of forensic audits: Root-cause analysis

Forensic audits and internal investigations, if conducted effectively, can serve a range of important functions for companies responding to concerns about fraud, misconduct, or regulatory compliance issues.[2]

Beyond the immediate objective of identifying internal bad actors and the scale of any misconduct, sound investigations should establish how any issues occurred, why existing controls were ineffective, and whether similar risks exist elsewhere in the business. Only then can organisations take appropriate measures to reduce the likelihood of recurrence.

This root cause analysis is about identifying systemic factors such as control weaknesses, governance gaps, inadequate oversight, problematic incentive structures, or cultural pressures that may have contributed to the problem. Rather than simply asking who did what, this analysis examines what combination of factors caused the misconduct to take place and not be detected sooner.

China-specific considerations for internal investigations

Some important considerations need to be factored in when conducting forensic audits or internal investigations in China, including the following:

- China's data compliance and sovereignty requirements must be respected. Data preservation, data processing, and cross-border information sharing are distinct stages, each with different legal considerations. A general principle is to keep data review in-country, using onshore data hosting and in-China reviewers. Any data potentially touching state secrets or other sensitive information should be segregated, and a local lawyer should be enlisted to screen data prior to cross-border transfer. Certain data may need to be withheld from export or redacted

[2] It should be noted that all such reviews and investigations are conducted within the scope of corporate authority and established compliance, audit and employment frameworks, and are distinct from any law-enforcement or regulatory authority's investigation.

to comply with relevant laws and regulations.

- The use of personal messaging apps when conducting business is commonplace. Discussions with distributors, agents, vendors, customers and colleagues routinely occur through mobile messages, voice notes, and group chats on non-company platforms and devices, despite efforts through corporate policies to prevent this. Failure to gain access to such records, with appropriate consent and consideration given to privacy laws, can impose material limitations on internal investigations which compromise the reliability of their conclusions. Careful consideration therefore needs to be given to data collection scope and the appropriate legal safeguards.

- Information-gathering interviews conducted as part of internal investigations in China require more than technical questioning skills. Cultural calibration, including rapport-building and a respectful tone, is important to avoid approaches that could shut down disclosure from interviewees. Caution is also needed to avoid misinterpreting cultural differences and language barriers, such as reserved behaviour, indirect communication styles, or hierarchy-driven reticence, which can otherwise be mistaken for evasiveness or lack of cooperation.

- China's business environment has become highly digitised, transaction-dense, and platform-driven. For instance, routine use of cash has largely been replaced by digital payments. Organisations generate significant volumes of transactional and activity data across multiple systems and databases. In this environment, traditional reliance on interviews and sample-based testing of financial transactions is often insufficient. Forensic data analytics applied to internal business data—such as micro-payments, system metadata and user-activity logs—allows internal investigators to identify issues through patterns, trends, and anomalies rather than isolated transactions. This approach helps surface connections and risk indicators that may not be apparent through conventional review techniques.

> **"Well-executed forensic investigations do more than determine what happened. They clarify root causes, strengthen governance frameworks, and reduce the likelihood of recurrence."**

Conclusion

External audits and forensic audits serve fundamentally different purposes. One provides structured, periodic assurance over financial reporting; the other delivers targeted, fact-based investigation when specific risks or allegations emerge. Confusing the two, or expecting one to substitute for the other, can leave organisations exposed.

In the China context, this distinction becomes particularly important. The regulatory landscape, data compliance requirements, digitised business practices, and cultural dynamics surrounding information gathering all add layers of complexity to internal investigations. Missteps in data handling, evidence preservation, interview execution, or regulatory engagement can exacerbate the original issue and create secondary risks.

For multinational companies, the key is not to assume that fraud detection is embedded automatically within standard audit processes. Rather, it is to recognise that different tools are designed for different objectives. External audits promote financial reporting integrity. Forensic audits uncover facts, establish accountability, and identify systemic weaknesses when concerns arise.

Well-executed forensic investigations do more than determine what happened. They clarify root causes, strengthen governance frameworks, and reduce the likelihood of recurrence. In doing so, they help organisations transition from reactive crisis management to proactive risk mitigation.

In an environment where external scrutiny can arise quickly and unexpectedly, companies that understand these distinctions—and are prepared to mobilise the appropriate expertise—are far less likely to be caught off guard.

Paul Tan is a senior managing director at Ankura's Risk Advisory Practice. He advises multinational companies and their legal counsel on internal fraud and compliance reviews in China, with a focus on employee conduct, compliance breaches, and third-party risk.

In Greater China, **Ankura** provides global strategic advisory services as well as deep expertise in risk advisory and data and technology to help clients address a broad range of challenges. These challenges range from market entry and complex cross-border issues to crisis management and risk mitigation.

Media Watch

Chamber's views on EU price undertaking guidance in the media

On 14th January, the European Union (EU) and China announced they had agreed on the need for guidance on price undertakings to be submitted by exporters of battery electric vehicles from China to the EU, as a condition for their exemption from EU tariffs. In a guidance document, the European Commission stated that exporters should propose minimum import prices for their vehicles, sufficient to offset any harm caused by Chinese subsidies, for the Commission's review.

That same day, the Chamber shared a statement with media outlets welcoming the agreement and stating that it hopes both sides will continue to engage in frank, constructive dialogue in the future. The statement was referenced by *The Paper*.

中欧电动汽车案"柔性破局"：价格承诺取代关税，释放积极信号

An article by *The Paper* on price undertakings
Media: *The Paper*
Date: 14th January 2026

Over 70% of European firms in China review supply chain strategies: survey

The findings show how European firms must maintain a delicate balancing act between China's tight security and focus on self-reliance

SCMP article on the supply chains report
Media: *SCMP*
Date: 28th January 2026

欧盟商会：中国产业集群是全球供应链基石

2026-01-28 22:27 来源：国际金融报 作者：周秭沫

Article by *FNEWS* on China's position as a lynchpin of global supply chains
Media: *FNEWS*
Date: 28th January 2026

外资企业走进宝安：看智造，探园区，赢未来

Bao'an News article on South China's attractiveness as a business destination
Media: *Bao'an News*
Date: 28th January 2026

Chamber supply chain report garners widespread coverage

On 28th January, the Shanghai Chapter held a media roundtable on the European Chamber's latest report, *Dealing with Supply Chain Dependencies: Challenges and Choices*, which was published in December 2025. Chamber Vice President and Shanghai Chapter Chair Carlo D'Andrea presented the report's key findings.

The event received a significant level of media coverage, including from the *SCMP* and *FNEWS*, with articles mostly highlighting how European companies operating in China are reconsidering their supply chain strategies in response to heightened geopolitical tensions, as well as China's unpredictable policy landscape. Several articles from domestic Chinese media outlets also emphasised the importance of China as a central nexus of global supply chains.

2026 Spring Festival event on trade promotion

On 27th January, the European Chamber's South China Chapter co-hosted the 2026 Spring Festival Exchange Event together with the China Council for the Promotion of International Trade Shenzhen Municipal Committee. Chamber representatives, including South China Chapter General Manager Angel Zhang, were interviewed by several media outlets on the sidelines of the event. They said that European businesses remain committed to the region and hope to further contribute their expertise to Shenzhen's development, while also noting how members are well-placed to contribute to the intelligent manufacturing segment of the economy.

Events Gallery

BEIJING, 15TH JANUARY 2026

Breakfast Roundtable with William Klein | Navigating Geopolitical Uncertainty for Business

- Europe is facing a significantly more complex geopolitical and economic environment as security concerns, technological competition with China, and shifting US commitments reshape its strategic outlook.
- The European Union is taking a more cautious and strategic approach toward China by strengthening economic security tools while balancing diverse interests among Member States.
- Despite continued strategic competition between the US and China, selective decoupling and geopolitical tensions are likely to reshape global supply chains and business strategies.

BEIJING, 4TH FEBRUARY 2026

Exclusive Talk: European Insights on Global Economic Shifts

- The global economy is slowing but proving more resilient than expected, reducing the likelihood of a sharp recession.
- Monetary conditions will remain restrictive, shaping investment and financing decisions, which calls for continued financial discipline, cautious investment planning, and a focus on efficiency and returns.
- Geopolitical and structural shifts are increasingly shaping the business environment, making resilience and long-term strategy essential.

SHANGHAI, 28TH JANUARY 2026

European Chamber Report Launch | Dealing with Supply Chain Dependencies

- European companies face a strategic dilemma: leveraging China's cost and efficiency advantages while mitigating supply chain concentration risks.
- Resilience, flexibility and diversification are becoming key drivers of supply chain strategies alongside traditional efficiency considerations.
- Firms are increasingly adopting balanced approaches—such as selective onshoring, offshoring and alternative sourcing—while continuing to engage with China's strengths.

SHANGHAI, 4TH FEBRUARY 2026

Site Tour: Mobile Communications Technologies

- Integrated cloud-network and cross-border data solutions demonstrated how companies can meet compliance requirements while enabling global digital operations.
- Practical 5G, artificial intelligence and internet of things applications across sectors such as transport, drones and smart cities highlighted China's rapid progress in digital innovation.
- The tour helped foster valuable dialogue among European and Chinese stakeholders on digital infrastructure, data governance, and collaboration opportunities in the evolving digital economy.

TIANJIN, 10TH FEBRUARY 2026

Training: Labour Arbitration Courts

- For labour dispute cases, arbitration is a mandatory pre-procedure before litigation.
- The Tianjin Labour and Personnel Dispute Arbitration Court has direct jurisdiction over companies registered in the six central districts of Tianjin with registered capital of Chinese yuan 60 million or above (approximately United States dollar 10 million for foreign-invested companies).
- Human resources departments should ensure comprehensive record-keeping in daily operations, including attendance, payroll, performance assessment and employee management, to reduce potential risks.

NANJING, 3RD MARCH 2026

European Chamber Report Launch in Nanjing | Dealing with Supply Chain Dependencies

- Diversify production locations: To navigate trade friction and high tariffs (particularly with the US), companies should move beyond a traditional made-in-China model by adopting 'China +1' strategies and establishing production in third countries.
- Optimise tariff costs strategically: Businesses can significantly reduce duty burdens by restructuring their supply chains, such as leveraging free trade agreements in sourcing, utilising the 'First Sale' rule to declare a lower transactional value, and unbundling ineligible costs (like post-importation charges) from the customs value.
- Enhance supply chain agility: The goal is to build a more resilient global supply chain that is less vulnerable to disruptions (like geopolitical tensions or pandemics) by creating flexible 'local-to-local' sourcing models that adapt to specific destination-market requirements.

SOUTH CHINA, 12TH AND 13TH MARCH 2026

2026 International Enterprise Industry & Trade Exchange

- Shenzhen's strong manufacturing and high-tech development base, combined with proactive government support, creates a unique advantage for foreign investment.
- In key sectors, especially high-end manufacturing, healthcare, modern services and finance, companies enjoy strong government support and close, hands-on engagement with local policymakers.
- European companies with expertise in standards, business services, and advanced technologies are well-positioned to support Shenzhen's industrial upgrading and digital transformation, as well as collaborate with Chinese companies expanding their overseas operations.

QINGDAO, 25TH MARCH 2026

EU-Qingdao Business Dialogue and Launch of the European Chamber Qingdao Office

- EU-China cooperation at the city level remains a priority, with Qingdao presenting opportunities in advanced manufacturing, green development and high-end services.
- A stable, transparent and predictable regulatory environment remains essential for sustaining European business confidence and long-term investment.
- Close engagement between government and industry is key to addressing operational challenges and enabling further collaboration.
- In response to global uncertainty, companies are prioritising resilience, localisation and supply chain optimisation within China.

Advisory Council News

Sanofi: Myqorzo and Redemplo approved in China

The National Medical Products Administration has approved two Sanofi-licensed innovative medicines, Myqorzo (aficamten) for the treatment of obstructive hypertrophic cardiomyopathy (oHCM), and Redemplo (plozasiran) for the reduction of triglyceride levels, in adult patients with familial chylomicronaemia syndrome (FCS) on the basis of dietary control.

"We are pleased to bring Myqorzo and Redemplo to patients in Greater China. Both medicines represent important advances in treatment options and address unmet medical needs among people living with complex conditions," said Olivier Charmeil, executive vice president, General Medicines, Sanofi. "The latest approvals underscore Sanofi's long-term commitment to bringing innovative medicines to Chinese patients."

Myqorzo is a selective, small-molecule cardiac myosin inhibitor to improve functional capacity and relieve symptoms in patients with oHCM, in which the myocardium, the heart muscle, becomes abnormally thick. It is the most common monogenic inherited cardiovascular disorder.

Redemplo is a small-interfering RNA (siRNA) medicine, suppressing the production of apoc-III, an important target for reducing triglycerides in patients with FCS. FCS is a severe and rare disease where extremely high triglyceride levels can lead to various serious signs and symptoms including acute and potentially fatal pancreatitis, chronic abdominal pain, diabetes, hepatic steatosis, and cognitive issues.

Knorr-Bremse drives AI transformation with Amazon Web Services

Knorr-Bremse is driving forward its comprehensive artificial intelligence (AI) transformation with Amazon Web Services (AWS). This strategic decision is changing not only the pace of development but also the working methods, processes, and organisational structures at Knorr-Bremse to position it as an AI pioneer in the manufacturing industry.

Marc Llistosella, CEO of Knorr-Bremse AG: "With AWS on board, we are reaching the next milestone in becoming a pioneer in artificial intelligence in the manufacturing industry. For us as a market and technology leader, AWS, with its AI expertise, is an important lever for our AI transformation. The AWS infrastructure takes our business and operational processes to a new level, makes them more efficient and sets new standards for how manufacturing companies can use AI."

Sathees Navaratnam, chief digital officer at Knorr-Bremse AG: "AWS creates the optimal basis for innovation and performance enhancement. As a first step, we are further developing our organisational structure to enable cross-functional innovation with increasingly autonomous processes. State-of-the-art AI models and infrastructure from AWS help us to leverage the full potential of intelligent systems across the group."

Photo: knorr–bremse.com

Knorr-Bremse focusses on three core areas when using AWS:

- **Establishing an AI operating model:** AWS enables Knorr-Bremse to develop, operate and scale new products and solutions in much shorter time frames. AI agents increase productivity in the supply chain, engineering and production.
- **Building autonomous industrial solutions:** Developing new business models through data monetisation and data-based service offerings.
- **Establishing an AI-friendly organisational culture:** Systematically empowering around 4,000 employees to use AI technologies to modernise the way they work. Training platforms and AI tools to promote innovation and agility in all areas of the company.

An initial pilot project in India highlights the potential: AI agents support software development for brake control systems with automated quality checks – with expected productivity increases of up to 30 per cent.

Connecting China and Europe: DHL's TRUCKAIR offers speed and cost efficiency

DHL Global Forwarding, the air and ocean freight specialist of DHL Group, has recently launched TRUCKAIR, a new cost-efficient multimodal service designed to support large-volume and bulky shipments moving between China and Europe. This new service meets the growing demand for flexible and reliable logistics amid evolving global trade dynamics.

Photo: dhl.com

The TRUCKAIR solution integrates road and air freight to strike an optimal balance between cost and speed. Following inland pickup in China, the goods are transported via truck to Tashkent, Uzbekistan, where they are transferred via air freight for onward delivery to Istanbul, and thereafter onwards to other European destinations via various modes of transport. While costs may vary from shipment to shipment for this tailor-made solution, customers have reported savings of six digits over the two months since adopting the TRUCKAIR multimodal solution instead of air freight. Additionally, with the TRUCKAIR multimodal service, the total transit time from China to Turkey is approximately nine to 11 days, only four to five days longer than the usual transit time of four to seven days by air freight only, making this service a prime choice for companies seeking a reliable and cost-effective solution for high-volume shipments.

"Demand for agile and cost-efficient logistics solutions continues to rise, backed by sustained growth in China–Europe and broader Asia–Europe trade. DHL's latest market update points to tight capacity and rate increases into Chinese New Year, with a demand peak expected in early February 2026; TRUCKAIR helps customers avoid short-term volatility while maintaining predictable lead times. China's total imports and exports of goods grew 3.6 per cent in the first 11 months of 2025, signalling a steady recovery in trade momentum. The European Union was also China's second-largest trading partner in 2025, with bilateral trade up 5.4 per cent year-on-year to Chinese yuan 5.37 trillion," said Aditi Rasquinha, CEO of DHL Global Forwarding Greater China. "TRUCKAIR was developed to meet this growing demand for greater flexibility and predictability in cross-border shipments, enabling businesses to control costs without compromising speed."

Designed for high-volume, general cargo shipments, the TRUCKAIR solution offers customers a cost-effective alternative to traditional air freight while maintaining delivery timelines suitable for retail and other time-sensitive and high-volume industries. Customers may also integrate TRUCKAIR with DHL's broader portfolio of forwarding services to build customised, end-to-end supply chain solutions.

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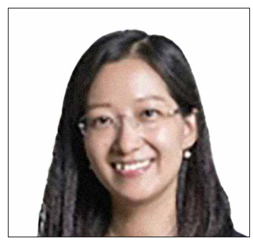

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