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Converging principles, diverging rules





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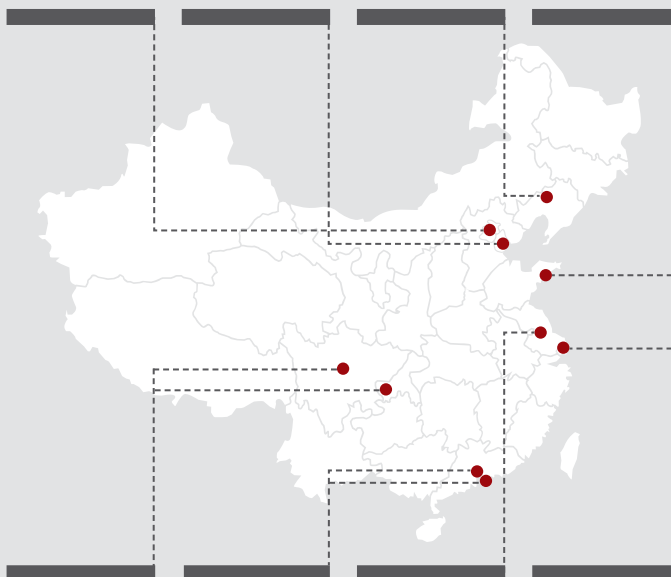
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President's Foreword

China's 15th Five-year Plan gives mixed signals


Released on 13th March 2026, China's 15th Five-year Plan (15FYP) for National Economic and Social Development sets the direction of Chinese policymaking for the 2026–2030 period. It demonstrates a high degree of continuity with the 14th Five-year Plan, suggesting that many of the trends seen over the past half decade will continue or even intensify.

There are a number of positives contained in the document. It openly acknowledges many of the underlying structural issues present in China's economy, including the need to address “involution-style competition” and boost domestic consumption, both issues the Chamber has long prioritised in its advocacy work.¹ The plan also outlines the need to further open the China market, for foreign-invested enterprises (FIEs) to receive national treatment and to shorten China's negative list for foreign investment.

At the same time, it is concerning that the 15FYP calls for “achieving greater self-reliance and strength in science and technology”.² So far, China's push for self-reliance has seen FIEs operating in strategic sectors lose market share, as well as the emergence of unsustainable competition in several industries. With the focus now shifting from Made in China 2025-style industrial policy to the broader concept of ‘new quality productive forces’, many Chamber members operating in strategic sectors of the economy will be approaching the next five years with caution.

In several places, it remains unclear how provisions contained in the 15FYP can be expected to impact business, including in relation to artificial intelligence (AI). The document places a strong emphasis on the development, governance and use of AI during the next phase of China's economic development, including by calling for its increased use in market regulation, as well as when it comes to supervision of government and public procurement procedures.

Depending on how related measures are implemented, this could result in a more standardised application of rules, as well as the removal of some biases inherent in human decision-making. However, there is also the risk that it could create less transparent processes, as well as ‘accountability sinks’ where no one can be held responsible should problems arise.

Moving forward, the European Chamber will be closely monitoring how the 15FYP is implemented. In addition, we will be providing input into how the array of horizontal, local and industry five-year plans which are set to follow can be best implemented, including via the publication of our flagship *Annual Position Paper*. 



Jens Eskelund

President

European Union Chamber
of Commerce in China

¹ *Outline of the 15th Five-Year Plan for National Economic and Social Development of the People's Republic of China*, State Council, 13th March 2026, viewed 24th June 2026, <https://www.gov.cn/yaoqin/liebiao/202603/content_7062633.htm>

² *Ibid.*



EUROPEAN BUSINESS IN CHINA

BUSINESS CONFIDENCE SURVEY 2026

Is business confidence
approaching an inflection point?



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

<https://www.eurochamber.com.cn/en/publication-business-confidence-survey>



The European Chamber's 2026 *Business Confidence Survey* (BCS) raised the possibility that subdued expectations and increased challenges were at risk of becoming entrenched, based on the fact that confidence in China's business environment had been continuously deteriorating for several years.¹ Many key metrics were at or around historic lows last year,² and two-year outlooks were overwhelmingly pessimistic, particularly regarding profitability, growth and competition.³

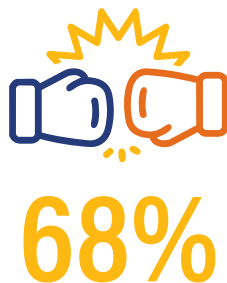
There are signs in this year's survey data, however, that certain trends may now be bottoming out and, if the right policies are implemented, business confidence could begin to meaningfully improve in several areas.

The intensity of the deterioration of confidence in China's business environment has eased for several key metrics year-on-year (y-o-y) for the first time since the country ended its zero-COVID policy:

- A decrease was recorded in the percentage of respondents reporting that the business environment had become more difficult over the previous 12 months (68%, -5 percentage points (pp) y-o-y).
- For the first time in five years, less than half (47%, -5pp y-o-y) of respondents reported that China's business environment had become more politicised compared to the previous year.⁴
- The trend of members postponing decarbonisation targets in China due to practical challenges seems to have paused.

In other areas, some improvements were seen:

- There has been an uptick in optimism for the profitability outlook for the coming two years (17%, +5pp



of respondents reported that the business environment had become more difficult over the previous 12 months (-5pp y-o-y)



of respondents reported that China's business environment had become more politicised compared to the previous year (-5pp y-o-y; first time in five years below 50%)



of respondents reported an optimistic profitability outlook for the coming two years (+5pp y-o-y)

y-o-y), after record low levels had been reported in the BCS 2025.

- A 9pp improvement was recorded in the proportion of respondents reporting missed business opportunities due to regulatory or market access barriers (54%).
- There has been an increase in the percentage of respondents reporting a level playing field in their industry (60%, +4pp y-o-y).

Some of these gains could be attributed to the fact that, in a year of intense global volatility, China has demonstrated itself to be a relatively stable investment destination. However, this should not obscure the fact that several key challenges remain, including the following:

- China's economic slowdown and the persistence of irrational and unsustainable competition in certain industries (i.e., 'involution').
- Regulatory and market access barriers, the lack of a level playing field for foreign-invested enterprises (FIEs) operating in many sectors, intellectual property rights (IPR)-related issues and challenges with cross-border data transfers.
- Difficulties decarbonising operations, including a lack of access to reliable sources of renewable energy and the need for comprehensive industrial guidance.
- Supply chain pressures, including those exerted by China's export control regime, and the need for businesses to comply with new and forthcoming globally binding

¹ *European Business in China Business Confidence Survey 2025*, European Union Chamber of Commerce in China, 28th May 2025, viewed 20th March 2026, <<https://www.eurochamber.com.cn/en/publications-business-confidence-survey?alchidref=https%3A%2F%2Fwww.eurochamber.com.cn%2Fen%2Fpress-releases%2F3717>>

² A record high 73% of respondents to the BCS 2025 reported that doing business in China became more difficult y-o-y; a record 68% reported missing business opportunities due to market access or regulatory barriers in the year leading up to the survey; and a record low 38% of businesses reported plans to expand in China, a reflection of the increased difficulty of doing business.

³ A record low 12% of respondents to the BCS 2025 reported being 'optimistic' about their profitability outlook for the coming two years, a figure that dropped to 9% when it came to optimism about competitive pressure. Meanwhile, only 29% were optimistic about the growth outlook over the same timeframe, also a historic low.

⁴ 41% of respondents to the BCS 2021 said business had become 'much more politicised' or 'somewhat more politicised' in response to the question, 'Has the business environment in China become more politicised in the last year?'; 50% said the same in BCS 2022; 59% in the BCS 2023; 55% in the BCS 2024; and 52% in the BCS 2025.

legislation from other markets, including the European Union (EU).

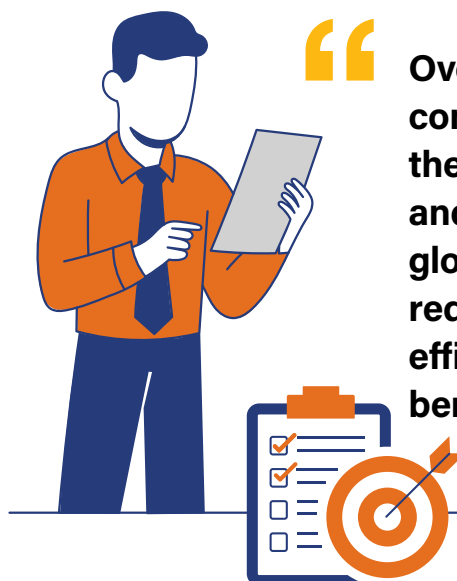
- The politicisation of business, much of which stems from heightened EU- and United States (US)-China tensions.

China could capitalise on a volatile global environment...

Last year's BCS cautioned that a failure to meaningfully address key challenges in China's business environment could open the door for other markets to court foreign direct investment at its expense.⁵ While this remains the case, the more unpredictable global environment that has emerged over the past year has presented the opportunity for *any* market to demonstrate and take advantage of its strengths, among which the capacity to provide a stable and predictable market has emerged as one of the most important. Although China has some way to go in this regard, it does have a strong foundation to build upon:

- It remains important for global company revenues, accounting for >15% of companies' global revenues for 38% of respondents (+3pp y-o-y).
- It has a dynamic R&D ecosystem and is highly competitive, with more members (48%) now reporting Chinese firms in their industry as more innovative than European (24%) ones.
- The country is the heavyweight champion of highly efficient and cost-effective supply chains: 75% of respondents categorise their China production as more efficient than their production in the rest of the world; and 94% see the market as important for sourcing.

These factors present many company headquarters (HQs) with persuasive



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

38%

of respondents reported that China accounts for more than 15% of their global revenues (+3pp y-o-y)

48%

of respondents reported that Chinese firms in their industry are more innovative than European firms (vs 24% for European firms)

75%

of respondents reported that production in China is more efficient than production in the rest of the world

94%

of respondents see China as an important market for sourcing

arguments as to why they might consider expanding their China footprints. However, such decisions are made over a multi-year horizon, and—as alluded to—companies are now placing a premium on predictability and stability when viewing potential investment opportunities, while also closely monitoring China's policy priorities through the lens of its national, local and sectoral development plans.

...but reforms needed across all industries for a meaningful rebound in business confidence

It is positive that recent high-level policy documents, most notably the 15th Five-year Plan (15FYP), have stated the need for China to transition to an economic model predicated on sustainable, quality growth, rather than growth at all costs.⁶ Other positive signals in the 15FYP include calls for: national treatment for FIEs; measures

⁵ European Business in China Business Confidence Survey 2025, European Union Chamber of Commerce in China, 28th May 2025, viewed 20th March 2026, <<https://www.europeanchamber.com.cn/en/publications-business-confidence-survey/falchlgref=https%3A%2F%2Fwww.europeanchamber.com.cn%2Fen%2Fpress-releases%2F3117>>

⁶ The 15FYP calls for the country's policymakers to "achieve prominent results in terms of high-quality development", as well as noting that GDP growth should be kept "within a reasonable range". See: Outline of the 15th Five-year Plan for National Economic and Social Development of the People's Republic of China, Xinhua, 13th March 2026, viewed 23rd March 2026, <https://www.gov.cn/yaowen/leibiao/202603/content_7062633.htm>

to address ‘involvement’; domestic consumption to be boosted; and the “balanced development of imports and exports”.⁷ Achieving these aims will be key to addressing some of the underlying structural challenges previously listed. It would also provide a business environment that is open and fair for all companies, while reducing bilateral tensions with key trading partners, including the EU.⁸

At the same time, the 15FYP doubles down on calls to increase self-reliance, which up until now has been largely propelled by industrial policies designed to support and protect Chinese companies operating in strategic areas of the economy.⁹ This has negatively impacted European players in these sectors: due to stringent localisation requirements—even down to the component level in some industries—and discrimination in procurement processes, a high proportion of companies have missed business opportunities and suffered a loss of market share, with some having to exit the market. It will be important to rectify this if business confidence is to be restored across the board rather than limited to non-strategic industries.

Creating momentum by plucking low-hanging fruit

In addition to the fact that fully addressing structural challenges facing China’s economy will take many years, the reform process will also at times be constrained by the need to balance internal development against external challenges, such as the fallout from rising geopolitical tensions and headwinds facing the global economy. It would therefore be prudent to introduce pro-business policies that can bring ‘quick wins’ and provide the impetus for a sustained rebound of business confidence, while

simultaneously addressing the more systemic issues.

This could start, for example, by optimising the many administrative processes that are currently impeding FIEs’ operational efficiency, many of which are within the remit of local authorities to address. While they could be considered less significant than the more structural issues,




By plucking some of these ‘low-hanging fruit’, China would demonstrate its commitment to improving the market, which would help to build the momentum needed for a full rebound of business confidence.



they are relatively easier to manage and solving them would have a disproportionately positive impact on the business environment. This could include: improving processes for obtaining construction permits; increasing access to credit/funding, particularly for small and medium-sized enterprises (SMEs); eliminating inter-district and inter-provincial roadblocks for companies that need to relocate operations; providing greater protection for minority investors; committing to regular, high-level (mayor or vice mayor) government-industry dialogues

to provide a channel for open, two-way communication with chambers of commerce and company representatives; and increasing the frequency of policy consultations with industry, including FIEs, among many others.

There are other challenges that would require national-level intervention and/or coordination with local governments to implement reforms, but which are still more manageable relative to the systemic challenges in China’s economy. These include: implementing clear and transparent export control licence application processes and rolling back plans to implement extraterritorial controls on EU companies; enhancing the clarity and consistency of China’s data governance regime, including by streamlining cross-border data transfer procedures and ensuring a proportionate definition of ‘important data’ that can enable global data flows; and facilitating the processes for both cross-border money transfers and cross-border trade.

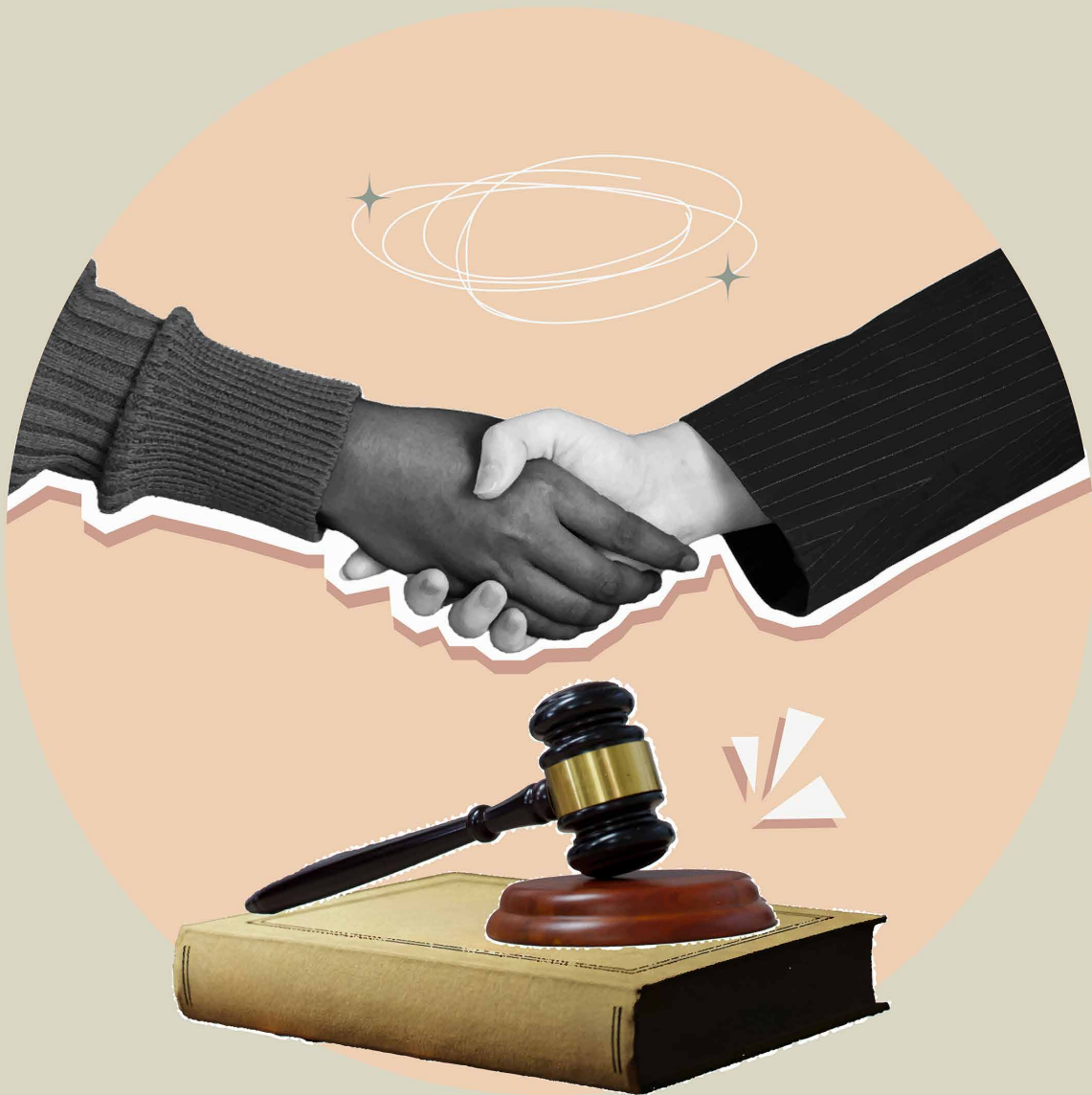
By plucking some of these ‘low-hanging fruit’, China would demonstrate its commitment to improving the market, which would help to build the momentum needed for a full rebound of business confidence. 

Robert Jarvis is a senior policy and communications manager at the European Chamber. He was the lead pen on this year’s Business Confidence Survey.

⁷ *Ibid.*

⁸ These calls also represent an acknowledgement of some of the key factors weighing on European business sentiment. See: *EUROPEAN CHAMBER’S STANCE ON CHINA’S 15TH FIVE-YEAR PLAN*, European Union Chamber of Commerce in China, 13th March 2026, viewed 23rd March 2026, <https://www.eurochamber.com.cn/en/press-releases/3776/european_chamber_stance_on_china_s_15th_five_year_plan>

⁹ For the last more than a decade, the primary focus has been on industries identified as strategic under the Made in China 2025 (MIC2025) industrial policy. These include next generation IT; high-end numerically controlled machinery and robots; aerospace and aviation equipment; maritime engineering equipment and high-tech maritime vessel manufacturing; advanced rail equipment; energy saving vehicles and new energy vehicles; electrical power equipment; agricultural machinery and equipment; new materials; and biopharmaceuticals and high-performance medical devices. Under the umbrella of ‘new quality productive forces’, China’s key industrial policy looks set to maintain many of the core principles of MIC2025 while expanding the number of industries in focus.



ARBITRATION IN CHINA

A new era for European companies

China's revised Arbitration Law enters into force on 1st March 2026, representing the most significant reform of China's arbitration framework in decades. For European companies doing business in China, **Manuel Torres Salazar** says the changes bring greater alignment with international practice, increased procedural flexibility and enhanced legal certainty in cross-border dispute resolution.

Why arbitration remains the preferred option

When a European company enters or expands into China—whether through a greenfield investment, the acquisition of existing operations or the establishment of commercial relationships such as import, export or distribution—one question inevitably arises in order to protect a company’s interest in this new market: how should disputes be resolved?

For decades, the prevailing answer among international practitioners has been arbitration rather than litigation before national courts. This preference is particularly pronounced in transactions between Europe and China and is grounded in several practical considerations. These are some of the key reasons:

First, arbitration offers **neutrality**. Neither party is required to submit disputes to the other’s domestic courts, reducing concerns about unfamiliar procedures or perceived institutional bias. This neutral forum is especially valuable when parties operate under fundamentally different legal traditions, such as continental European civil law systems and Chinese law.

Confidentiality is another decisive advantage. Court proceedings are generally public, whereas arbitration allows parties to protect commercially sensitive information, trade secrets and strategic business arrangements. For European companies active in technology, manufacturing or other innovation-driven sectors, confidentiality can be as important as the final outcome of the dispute itself.

Specialisation also plays a key role. Arbitration allows parties to appoint arbitrators with experience in the relevant industry—construction,

energy, financial services, shipping or technology—rather than relying on generalist judges. This sector-specific expertise often results in more efficient proceedings and decisions that better reflect commercial realities.

Finally, the international **enforceability** of arbitral awards remains arbitration’s most compelling benefit. While court judgments frequently face obstacles when recognition is sought abroad, arbitral awards benefit from a well-established global enforcement regime under the New York Convention.

Chinese arbitration also follows the principle of a single and final award. Once an award has been rendered, neither party may re-submit the same dispute to arbitration or initiate court proceedings. This finality provides predictability and avoids the prolonged appeals often associated with litigation.

“

The international enforceability of arbitral awards remains arbitration’s most compelling benefit.

”

China’s arbitration framework and the 2025 reform

China’s arbitration system is governed by the Arbitration Law, first adopted in 1994 and previously amended in 2009 and 2017. The 2025 revision, adopted on 12th September 2025 and effective from 1st March 2026, represents a comprehensive modernisation of the framework.

Among the most notable innovations are:

- **Recognition of online arbitration:** Arbitration activities conducted through information networks now have the same legal effect as offline proceedings, unless a party expressly objects.
- **Formal introduction of the seat of arbitration:** The concept of the arbitral seat is expressly recognised as the basis for determining procedural law and court supervision.



- **Greater openness to foreign expertise:** Arbitration institutions may appoint foreign arbitrators with specialised knowledge.
- **Expanded access for foreign arbitral institutions:** Foreign institutions may establish offices in designated areas such as pilot free trade zones and the Hainan Free Trade Port.
- **Enhanced transparency:** Arbitration institutions must publicly disclose key information, including their rules, arbitrator rosters and fee structures.
- **Stricter arbitrator disclosure obligations:** Arbitrators must proactively disclose circumstances that may raise doubts about independence or impartiality.

Together, these changes move Chinese arbitration closer to international best practices and respond directly to concerns frequently raised by foreign investors.

International enforcement and applicable conventions

The cornerstone of international arbitration enforcement remains the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York Convention). With more than 170 contracting states—including China and all European Union (EU) Member States—it provides a robust mechanism for cross-border enforcement.

China acceded to the New York Convention in 1987, subject to reciprocity and commercial reservations. In practice, these reservations rarely affect European companies, as each EU Member State is also a party to the New York Convention.

The revised Arbitration Law confirms that foreign arbitral awards may be recognised and enforced by Chinese

courts in accordance with applicable international treaties or, where no treaty applies, on the basis of reciprocity. Applications are generally submitted to the intermediate people's court at the place of the debtor's domicile or where assets are located.

The EU-China Comprehensive Agreement on Investment (CAI), concluded in principle in December 2020 but not yet ratified, also merits attention. The CAI envisages a structured investor-state dispute settlement mechanism, potentially moving away from traditional ad hoc arbitration towards a standing tribunal system. Although the ratification process has been suspended, any future progress could significantly affect dispute resolution for European investors in China. Until then, commercial arbitration remains governed by the New York Convention and China's revised Arbitration Law.

The seat of arbitration and procedural flexibility

One of the most consequential reforms is the express incorporation of the **seat of arbitration**. Parties may now agree in writing on the seat, which determines the applicable procedural law and the courts with supervisory jurisdiction, unless the parties have agreed otherwise.

If the parties fail to specify the seat, it will be determined by the applicable arbitration rules or, failing that, by the arbitral tribunal based on the circumstances of the case. The arbitral award is deemed to be rendered at the seat of arbitration.

The revised law also introduces greater flexibility for foreign-related disputes, particularly in maritime matters or disputes involving enterprises registered in free trade zones or the Hainan Free Trade Port. In these cases,

parties may designate China as the seat of arbitration while conducting proceedings under agreed rules and with arbitrators meeting statutory requirements. This allows European companies, for example, to use established international arbitration rules while maintaining a Chinese seat.

At the same time, the law explicitly encourages parties to foreign-related disputes to select arbitration institutions within China, including those in the special administrative regions, and to choose China as the seat of arbitration.

Interim measures: Protecting enforcement value

For European companies operating in China, the availability of effective interim measures is often decisive. Without timely asset preservation or injunctive relief, an eventual arbitral award may prove unenforceable in practice.

The revised law expands the scope of interim measures. Parties may apply for property preservation or injunctive relief where enforcement may become difficult or where other damage may occur. One important issue to highlight is that, in urgent situations, parties may apply directly to a people's court for preservation measures even before initiating arbitration.

These provisions offer stronger tools to prevent asset dissipation or other actions that could undermine enforcement, while also imposing liability for losses caused by wrongful applications.

Arbitration agreements, challenges and enforcement

The revised law confirms that an arbitration agreement must include

three elements: an intention to arbitrate, the matters to be arbitrated and a designated arbitration institution. A significant clarification is that if one party asserts the existence of an arbitration agreement and the other does not deny it before the first hearing, the agreement is deemed to exist.

The principle of separability is reaffirmed: the validity of the underlying contract does not affect the arbitration agreement.

“

The revised law confirms that an arbitration agreement must include three elements: an intention to arbitrate, the matters to be arbitrated and a designated arbitration institution.

”

Grounds for setting aside arbitral awards remain largely unchanged, covering issues such as the absence of an arbitration agreement, procedural violations, forged evidence or serious arbitrator misconduct. However, the time limit to apply for setting aside an award has been reduced from six months to three months, and courts must rule within two months of accepting an application. This accelerated timetable enhances finality and legal certainty.

For foreign-related awards, specific grounds for setting aside and refusal of enforcement are set out, closely mirroring international standards.

The law also introduces an explicit safeguard against abuse of arbitration. Where claims are based on fabricated facts or collusion intended to harm public or third-party interests, arbitral tribunals are required to dismiss the claims.

Practical considerations for European companies

When drafting arbitration clauses with Chinese counterparts, European companies should pay particular attention to the choice of seat, institution and applicable rules. The express legal significance of the arbitral seat makes careful drafting more important than ever. The revised law allows for either sole-arbitrator or three-arbitrator tribunals. In three-member tribunals, each party appoints one arbitrator, with the presiding arbitrator selected jointly or appointed by the institution. The ability to appoint qualified foreign arbitrators with specialised expertise may be especially valuable in complex or technical disputes.

The formal recognition of online arbitration opens new possibilities for cost-effective dispute resolution,

particularly for smaller or less complex disputes where travel costs would otherwise be disproportionate.

Enhanced transparency obligations for arbitration institutions also enable parties to make more informed choices when selecting an institution.

Conclusion

The revised Arbitration Law represents a significant step in the evolution of China's arbitration regime. By introducing the concept of the arbitral seat, recognising online arbitration, increasing openness to foreign institutions and arbitrators, strengthening interim measures and accelerating post-award procedures, the reform brings China closer to international arbitration standards.

For European companies, arbitration remains the preferred mechanism for resolving cross-border commercial disputes with Chinese counterparties. Those that understand the new framework and carefully structure their arbitration clauses—particularly regarding seat, institution and procedural safeguards—will be better positioned to manage risk and protect their interests in China's evolving business environment. **EB**

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Garrigues is an international law firm providing legal and tax advice, with a presence in Europe, Latin America and Asia. In China, the firm operates through its Shanghai office, advising on inbound and outbound investment, regulatory matters and cross-border disputes. Garrigues regularly advises on arbitration involving China, including the structuring of dispute resolution clauses under the revised Arbitration Law.

EXPORTING PET FOOD TO CHINA

Proactive regulatory
compliance key for
European firms

China's pet food¹ market continues to expand rapidly, driven by rising pet ownership and demand for premium nutrition among urban consumers. For European companies seeking to enter or expand in this market, strict adherence to China's regulatory framework is essential. Non-compliance can result in shipment rejections, product destruction, financial losses and reputational damage. In this article, **David Ettinger** and **Jenny Xin Li** outline the current regulatory landscape and highlight recent updates to underscore the importance of proactive compliance for companies exporting pet food to China.



¹ 'Pet food' and 'pet feed' in China share the same definition: a product that has been industrially processed and prepared, and directly offered for consumption to pets (e.g., cats and dogs).

Pet food in China is classified and regulated primarily as feed rather than human food. The principal governing instrument is the *Regulation on the Administration of Feeds and Feed Additives*.² In 2018, the Ministry of Agriculture and Rural Affairs (MARA) issued *Notice No. 20*,³ establishing a dedicated regime through:

- the *Administrative Measures for Pet Food*;
- the *Provisions on the Labelling of Pet Food*;
- the *Provisions on the Hygiene of Pet Food*; and
- the *Licensing Requirements for Pet Food Manufacturers*.

These measures distinguish between formula pet feed (staple foods), pet feed additive premixes and other pet foods (such as treats and snacks), with each having different requirements.

Regulatory oversight for pet food is shared between the MARA, which primarily handles product registration, ingredient approvals and hygiene requirements, and the General Administration of Customs (GACC), which manages facility registration,⁴ inspection and quarantine, and border clearance. It should be stressed that imported pet food must originate from countries/regions on the GACC's approved list. Multiple EU Member States are currently eligible to export pet food to China.

Ingredients used in pet food must be drawn exclusively from the *Catalogue of Feed Ingredients*⁵ and *Catalogue of Feed Additives*⁶ published by the MARA. Use of unlisted substances or additives exceeding permitted limits constitutes a violation. The safety and quality of pet food must also satisfy China's requirements (e.g., the safety norms for feed).



Pet food in China is classified and regulated primarily as feed rather than human food.

1. Core compliance requirements for pet food

European manufacturers must complete a multi-step process before their first shipment of pet food to China:

1) GACC overseas manufacturer registration: All production, processing or storage facilities must be registered with the GACC prior to export. Registration confirms that the facility maintains hygiene controls equivalent to Chinese requirements.

2) MARA product registration: Product registration is mandatory for formula pet feeds and additive premixes. The application, which must currently be submitted through a Chinese agent, includes detailed dossiers on formulation, manufacturing processes, safety data and quality specifications. Other pet foods (treats) are generally exempt from MARA product

registration but remain subject to the above GACC facility rules.

3) Labelling: All imported pet food requires a compliant Chinese-language label affixed to or printed on the packaging. The mandatory national *Feed Label (GB 10648-2013)*⁷ standard and the *Provisions on the Labelling of Pet Feed* set the specific labelling requirements, such as product name, ingredient list, guaranteed nutritional analysis, net content, storage, usage directions, expiry dates, manufacturer and importer details, and the relevant registration licence number (where applicable).

4) Inspection and quarantine: Port entry of pet food requires an animal and plant quarantine licence in certain cases (canned wet foods are often exempt). The GACC conducts a document review, sensory inspection and possible laboratory tests for various contaminants, microbes and residues. Non-compliant consignments are returned or destroyed at the importer's expense.

European exporters benefit from the fact that many EU facilities already operate under high sanitary standards (e.g., hazard analysis and critical control point-based systems), which facilitates GACC approval. However, differences in ingredient lists, nutritional levels and labelling formats frequently require product reformulation or dedicated China-specific variants, which incur additional regulatory burdens.

² *Regulations on the Administration of Feed and Additives*, Ministry of Ecology and Environment, 3rd November 2011, viewed 19th May 2026, <https://www.mee.gov.cn/zcwj/ygywjj/202001/120200114_759349.shtml>

³ *Announcement No. 20 of the Ministry of Agriculture and Rural Affairs of the People's Republic of China*, Ministry of Agriculture and Rural Affairs, 20th May 2018, viewed 19th May 2026, <https://www.moa.gov.cn/nymbg/2018/201805/201806/20180620_6152699.htm>

⁴ *Measures for the Supervision and Administration of Inspection and Quarantine of Import and Export Feed and Feed Additives*, General Administration of Customs of China, viewed 25th May 2026, <<http://gdfs.customs.gov.cn/customs/302249/zxxgk/hgzgk/4081684/index.html>>

⁵ *Catalogue of Feed Ingredients*, Ministry of Agriculture and Rural Affairs, 30th June 2025, viewed 19th May 2026, <https://www.moa.gov.cn/zxtz/sqjcgjs/xjzcb/202506/120250630_6475262.htm>

⁶ *Catalogue of Feed Additives*, Ministry of Agriculture and Rural Affairs, January 2026, viewed 19th May 2026, <<https://www.nahs.org.cn/xcm/sjly/202109/P020260119324203999078.pdf>>

⁷ *Standard number: GB 10648-2013*, National public service platform for standards information, 10th October 2023, viewed 19th May 2026, <<https://openstd.samr.gov.cn/bzgk/gb/newGbinfo?hcnm=F08C4A6B7F30AE0E94AC9CEE37F8391C>>

2. Upcoming regulatory changes to pet food

Given the increasing demand for pet food, the Chinese Government has been actively crafting new or amending existing regulations and standards to strengthen the management of pet food. In March 2026, the MARA issued the *Feed Quality and Safety Supervision Work Plan 2026 (Plan)*,⁸ with pet feed receiving dedicated regulatory attention alongside traditional livestock and poultry feed categories, reflecting the expanding scope of feed safety governance to cover companion animal nutrition products.

Specifically, the *Plan* mandates conducting quality and safety risk monitoring for pet feed as part of the government's small variety feed product risk warning responsibilities, establishes the authentication methods for adulterated raw materials used in animal protein feed for pets, and develops evaluation specifications for claimed functions of pet feed. Moreover, under the supervision sampling detection items of the *Plan*, pet feed is listed as a distinct product category with specific testing requirements, including for crude protein, crude fat, heavy metals such as lead, arsenic and cadmium, and multiple mycotoxins including aflatoxin B, deoxynivalenol, zearalenone, ochratoxin A, fumonisins and T-2/HT-2 toxins. Companies should take note of these new requirements as the enforcement agency is likely to include these parameters for compliance checks during the import process and post-market surveillance.

In addition, it is worth recalling that in August 2025, the MARA released drafts of two new mandatory national standards pertaining to pet food – the *Hygienic Standard for Pet Food*⁹ and the *Pet Food Label Standard*,¹⁰ with

the former aiming to enhance the hygiene level of pet food. For the first time, it systematically established the mandatory hygiene and safety requirements for pet food in China, with a focus on prescribing the limits for various hazardous substances in pet food, thereby addressing the core issue that pet food hygiene and safety currently lack mandatory standards to rely upon. Once these two standards are finalised and published, they will impose binding hygiene limits and enhanced labelling obligations across the sector. European pet food exporters will need to monitor official announcements to implement some China-specific quality assurance systems addressing these particular risk factors, and align formulations and



Pet feed receives dedicated regulatory attention alongside traditional livestock and poultry feed categories, reflecting the expanding scope of feed safety governance to cover companion animal nutrition products.



labels accordingly, as the standards are expected to raise the bar on microbial, heavy-metal and nutritional parameters for future exports.

Conclusion

China's pet food regulatory landscape is undergoing substantial transformation, characterised by increased standards, intensified enforcement and the systematic integration of pet feed into national feed safety governance. For European companies, success in this market demands not just transactional compliance but active engagement with regulators. For instance, companies could get involved in the standard-setting process to be proactive and create forward-looking compliance obligations. The pending mandatory national standards discussed in this article will likely reset industry benchmarks, creating both compliance burdens and competitive opportunities. Manufacturers that invest now in understanding and anticipating these regulatory developments will be best positioned to navigate the evolving terrain and capture opportunities in one of the world's most dynamic pet food markets.



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⁸ *Feed Quality and Safety Supervision Work Plan 2026*, Ministry of Agriculture and Rural Affairs, 5th March 2026, viewed 19th May 2026, <https://www.chinafeed.org.cn/xwdt_10092/hyxx/202603/P020260321767355302838.pdf>

⁹ *Hygienic Standard for Pet Food (Draft for Comments)*, National public service platform for standards information, 11th August 2025, viewed 19th May 2026, <<https://std.sam.gov.cn/gb/search/gbqSuggestionDetail?id=E74132B2C2E8AF2FE0FC3A8C31DB8E20>>

¹⁰ *Pet Food Label Standard (Draft for Comments)*, National public service platform for standards information, 11th August 2025, viewed 19th May 2026, <<https://std.sam.gov.cn/gb/search/gbqSuggestionDetail?id=45F533FD98F81716FC08848908D46FDC>>



AI-DRIVEN JOB DISPLACEMENT

The legal limits of unilateral termination



Against the backdrop of rapid technological advancement, particularly the growing adoption of artificial intelligence (AI) in the workplace, companies are increasingly facing the need to restructure their workforce. While AI-driven redundancies may reduce operational costs and improve efficiency, they also raise significant legal and practical challenges for workforce management. The question of whether the elimination of work positions resulting from the introduction of AI may justify employment termination is now a hotly debated issue, argue

Jeanette Yu and Chase Chen.

Under the framework of Chinese employment law, the termination of an employment relationship is subject to stringent statutory regulation, and an employer may unilaterally terminate an employment contract only where one of the statutory reasons for a termination has been fulfilled. Such statutory reasons include a serious violation of the employer's internal rules or policies, incompetence in the workplace, inability to work upon expiration of the statutory medical treatment period, or a material change in objective circumstance that renders continued performance of the employment contract impossible.

The termination reason of 'material change in objective circumstance' is most widely invoked by employers in circumstances where employee separation is driven by adjustments to business strategy or other operational needs, and thus it is also considered the most relevant termination reason for employment termination driven by adoption of AI.

In practice, labour disputes frequently arise as to what kind of circumstance can legally constitute a ‘material change in objective circumstance’ and is sufficient to justify unilateral termination of an employment relationship. According to the *Circular of the Ministry of Labour on Issuing the Explanation on Several Provisions of the Labour Law (Circular)*, a material change in objective circumstance refers to the occurrence of force majeure events or other situations that render all or part of the employment contract impossible to perform.¹ The *Circular* also provides illustrative examples, including the relocation or merger of the employer and the employer’s transfer of assets.

Notably, the *Circular* was promulgated more than three decades ago. Considering China’s significant economic transformation and rapid social development over the past 30 years, the guidance offered by the *Circular* is generally regarded as limited and insufficient to address the complexity of modern business situations and employment management. As a result, in current judicial practice, the labour arbitration commissions and the People’s Courts are vested with considerable discretion in determining whether a particular circumstance constitutes a material change in objective circumstances.

Beyond the three scenarios expressly identified in the *Circular*—namely employer relocation, merger and asset transfer, according to the judicial precedents in the past—material changes in objective circumstance have also been recognised in the following typical situations:

- an employer faces business difficulties caused by natural disasters;
- employers’ loss of essential licences or permits required to sustain orig-

inal business operations; and

- employers’ reorganisation or restructuring resulting in the elimination of an entire department or core function, such as the elimination of the entire production function.

Recent judicial developments have helped shed light on whether AI-driven job displacement may constitute a material change in objective circumstance that justifies terminating an employment contract. In December 2025, the Beijing Municipal Labour Arbitration Commission first publicly released a representative case (*Beijing Typical Case*) addressing this issue.² The details of the *Beijing Typical Case* are summarised as follows:

- Case facts:

The employee concerned, surnamed Liu, worked as a data collection specialist in Company A and was responsible for traditional manual map data collection. In 2024, Company A decided to transform its business by fully shifting from manual data collection to AI-driven automated data collection. As a result, Company A eliminated Liu’s position and terminated its employment relationship with him based on a material change in objective circumstance.

- Case result:

Liu filed a labour arbitration case against Company A at the competent labour arbitration commission in Beijing and claimed double the normal statutory severance amount for unjustified termination of his employment relationship.³ After hearing the dispute, the labour arbitration commission in Beijing found that Liu’s termination lacked sufficient factual basis and eventually ruled in his favour.

The labour arbitration commission in Beijing came to its decision based on the following reasoning:

- To qualify as a material change in objective circumstance, the event shall have the characteristics of ‘force majeure’ and ‘unpredictability’ and fall outside the scope of routine business decisions and risk management.
- Company A’s adoption of AI technology falls within the scope of its independent business decisions and constitutes a proactive technological innovation to adapt to market competition, which does not meet the criteria for ‘force majeure’ and ‘unpredictability’.
- Company A shifted the business risks of a normal technological upgrade onto employees, and its termination of the employment relationship therefore constituted an unjustified termination.

In addition to the *Beijing Typical Case*, Hangzhou, usually known as the leading hub for internet and high-tech companies in China, also addressed this issue in recent judicial practice. In April 2026, the Hangzhou Intermediate People’s Court published a set of typical labour dispute cases regarding AI technology companies, with one case specifically concerning the elimination of a position as a result of an employer’s adoption and application of AI (*Hangzhou Typical Case*).⁴

In the *Hangzhou Typical Case*, Company B considered replacing human labour with AI, which

¹ Explanation of several articles of the Labor Law, Xiamen Municipal Human Resources and Social Security Bureau, 5th September 1994, viewed 29th May 2026, <https://hrss.xm.gov.cn/xxgk/zixunqizhixueqiml/zc/g/qtw/201012/20101209_1302204.htm>

² Top Ten Typical Cases of Labor and Personnel Dispute Arbitration in Beijing in 2025, Beijing Municipal Bureau of Human Resources and Social Security, 26th December 2025, viewed 26th May 2026, <https://rsj.beijing.gov.cn/bm/ztd/dxal/202512/20251226_4366546.html>

³ According to Chinese law, for a justified employment termination based on material change in objective circumstance, an employee is entitled to a statutory severance payment, which is generally calculated as one month’s average salary for each full year of service.

⁴ The Hangzhou court released typical cases of protecting the rights and interests of AI enterprises and practitioners, Hangzhou Intermediate People’s Court, 28th April 2026, viewed 26th May 2026, <<https://mp.weixin.qq.com/s/2Mmmy4j508kX0lnNpazPmg>>

offers a greater cost advantage and thus terminated its employment contract with an employee named Zhou based on a material change in objective circumstance. The Hangzhou Intermediate People's Court adjudicated the dispute and ultimately held that Company B's termination was unjustified.

The court came to this decision based on the reasoning that, first, the circumstance giving rise to the employment termination was not a passive or externally imposed situation faced by the employer, such as loss of business, but rather a business decision driven by cost consideration; second, the relevant circumstance did not fall within any category of material change in objective circumstance as defined in the law.

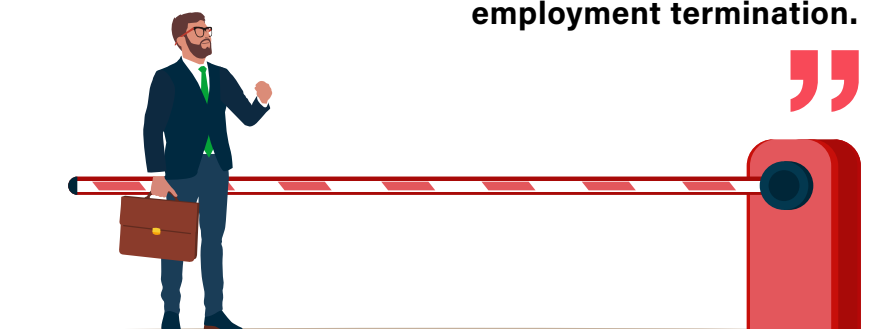
Although the judicial practice for employment-related matters in different cities in China can vary, the Beijing and Hangzhou cases are still valuable references to prove the current judicial practice that AI-driven job displacement does not necessarily constitute a material change in objective circumstance that is sufficient for employers to justify unilateral termination of employment.

In light of the potentially severe legal liabilities that could arise from unjustified termination (i.e., double statutory severance or reinstatement of employment with back pay of salary), employers in China are advised to exercise prudence and avoid solely relying on AI-driven job displacement as the basis for employment termination.

Rather than adopting a purely replacement-orientated approach, employers may consider how AI can be leveraged to enhance employees' productivity and optimise workforce management in a cost-efficient manner



In light of the potentially severe legal liabilities that could arise from unjustified termination (i.e., double statutory severance or reinstatement of employment with back pay of salary), employers in China are advised to exercise prudence and avoid solely relying on AI-driven job displacement as the basis for employment termination.



without resorting to employment termination. Specifically, to achieve more effective employment management in the age of AI, employers may consider taking the following measures:

- providing training and reskilling opportunities to help employees adapt to new technologies and improve work efficiency through the use of AI tools;
- engaging with employees whose workload has been reduced due to AI assistance and redefining their roles and responsibilities accordingly; and
- offering employees internal transfer opportunities to positions that require a higher level of human input, participation, judgement or oversight.

Where termination of employment due to the adoption of AI becomes unavoidable, employers are encouraged to give priority to separation through mutual agreement with employees. While mutual

agreement is widely regarded as the most effective approach to achieve employee separation, the negotiable nature of severance compensation under this method often creates a perceived burden for employers. One practical solution is to strengthen workforce management by establishing clear rules and policies and ensuring fair and consistent enforcement, particularly in areas such as employees' work performance and discipline. This approach will not only foster a fair and competitive working environment but will also equip employers to lawfully manage employees who are unable to adapt to the changes brought about by the AI era. [EB](#)

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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 professional legal and tax advisors worldwide. CMS China (Shanghai, Beijing, and Hong Kong) offers business-focussed advice tailored to companies' needs.

12TH MARCH
NATIONAL

European Chamber representatives meet with a delegation from Hainan Government
Photo: European Chamber

Hainan Executive Vice Governor Bateer visits European Chamber's Beijing office



On 12th March, European Chamber Secretary General Adam Dunnett received a provincial government delegation led by Bateer, executive vice governor of Hainan Province, at the Chamber's Beijing office. The meeting was attended by senior representatives from Hainan's Department of

Commerce, International Economic Development Bureau, Development and Reform Commission, Department of Finance, Foreign Affairs Office, and Financial Regulatory Bureau. Chamber Vice President Kitty Xia and a delegation of Advisory Council members also joined the meeting.

After the meeting, the Chamber, together with the Hainan Department of Commerce, co-organised the 2026 Hainan Free Trade Port - European Chamber Government-Business Roundtable. Leaders from 14 Hainan local government departments and representatives from around 50 member companies attended the roundtable.

25TH MARCH
QINGDAO

Opening ceremony for the Chamber's new Qingdao office
Photo: European Chamber

EU-Qingdao Business Dialogue and Qingdao office launch



On 25th March, the EU-Qingdao Business Dialogue took place, co-hosted by the European Chamber and the Qingdao Municipal People's Government. Chamber President Jens Eskelund led a delegation to meet with

Qingdao Deputy Party Secretary Zhang Hui, which was also attended by Chamber vice presidents Kitty Xia and Carlo D'Andrea, as well as members of the Chamber's Advisory Council. Topics discussed included the need for support when it comes to reinvesting profits in China, issues weighing on foreign investor sentiment, scientific innovation and foreign trade.

Following the dialogue, Eskelund, Qingdao Deputy Party Secretary Zhang Hui and Mayor Ren Gang jointly unveiled the Chamber's new Qingdao office at a launch event, marking the latest chapter in the Chamber's development as it expands to better serve the needs of European companies operating in the region.

27TH MARCH
TIANJIN

A delegation led by Chamber Secretary General Adam Dunnett and Tianjin Chapter Chair Mirko Turrina with Executive Vice Mayor of Tianjin Wang Xu
Photo: European Chamber

2026 Government Dialogue in Tianjin



On 27th March, the European Chamber Tianjin Government Dialogue took place, at which a delegation of around 30 member companies, led by European Chamber Secretary General Adam Dunnett and Tianjin Chapter Chair Mirko Turrina, met with Executive Vice Mayor of Tianjin Wang Xu. Deputy Secretary General of Tianjin Municipal People's Government Chen Jianjiang and officials from 14 municipal bureaus and districts also attended the event.

15TH APRIL
NATIONAL

President Eskelund meets Spanish Prime Minister Pedro Sánchez

Chamber President Jens Eskelund with Prime Minister Sánchez
Photo: European Chamber



On 15th April, European Chamber President Jens Eskelund met with Spanish Prime Minister Pedro Sánchez, who stressed the importance of addressing

the growing EU-China trade imbalance, strengthening mutually beneficial economic engagement and expanding areas of cooperation beyond just trade and investment.

Eskelund provided an overview of the key economic developments in China that have contributed to a boom in Chinese exports to the rest of the world in recent years, as well as the implications of these trends for European industry. He also stressed the importance of EU Member States working together to address dependencies and trade imbalances, preserve the European industrial base and promote and attract foreign investment that creates value.

13TH APRIL
SOUTH CHINA

European Chamber meets Hainan Governor Liu Xiaoming

A chamber delegation led by South China Chair Fabian Blake with Hainan Governor Liu Xiaoming
Photo: European Chamber



On 13th April, European Chamber Vice President and South China Chapter Chair Fabian Blake, Vice President Kitty Xia and South China board member Klaus Zenkel, together with Chamber member company representatives, joined a closed-door meeting with Hainan Governor Liu Xiaoming, held on the sidelines of the China International Consumer Products Expo 2026 in Hainan.

24TH APRIL
SHENYANG

Chamber joins closed-door meeting with Liaoning Party Secretary Xu Kunlin

Chamber President Jens Eskelund with Liaoning Party Secretary Xu Kunlin
Photo: European Chamber

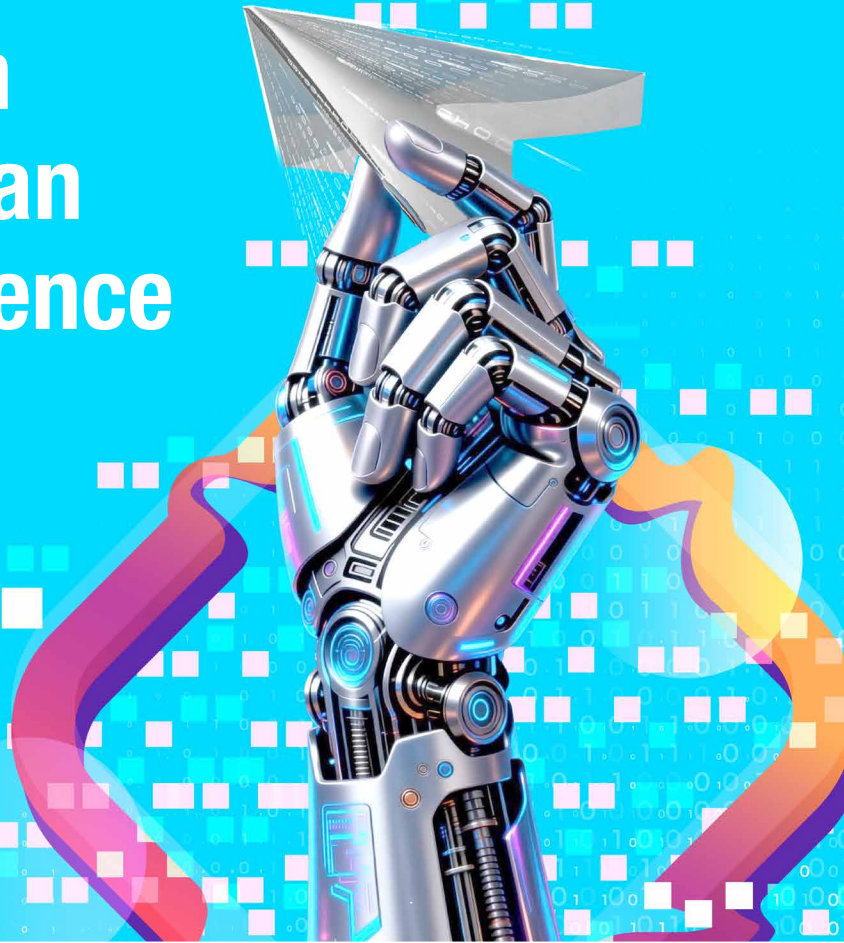


On 24th April, European Chamber President Jens Eskelund led a Chamber delegation in a closed-door meeting with Liaoning Party Secretary Xu Kunlin.

Eskelund was joined by Shenyang Chapter Chair Erich Kaiserseder, and members of the Chamber's Advisory Council and the Shenyang Chapter board. Vice Governor Gu Jun, Shenyang Mayor Lv Zhicheng, Dalian Vice Mayor Qiu Baolin and the heads of several local government departments also participated in the meeting.

Topics discussed included improving financial support and subsidies for European small and medium-sized enterprises in the region, as well as local electricity costs. Both sides agreed to maintain communication and work together to improve the region's business environment.

2026 European Chamber Human Capital Conference



On 17th April 2026, the European Chamber hosted its annual Human Capital Conference in Beijing, with more than 100 human resources (HR) professionals and executives in attendance.

As one of the European Chamber's signature events, the Human Capital Conference provides a platform and community for HR professionals from member companies to address their key issues, share up-to-date insights from top consultancy and C-suite-level leaders, and discuss best practices in relation to supporting organisations' development.

Wang Shuhong, chair of the European Chamber's HR Forum in Beijing, opened the event with welcome remarks. She highlighted how artificial intelligence (AI) has become deeply

embedded in every aspect of daily life and business across industries.

Next came a CEO panel featuring Jean-Philippe Lamarcade, vice president of EDF Group and chairman of EDF China, and Michael Chang, executive vice president and chief technology officer of Nokia Greater China. The pair shared their experiences of AI transformation at a strategic level, their perspectives on how AI will shape their industries over the next three to five years, and stressed the importance of establishing clear AI policies.

Jane Xing, partner at Heidrick & Struggles' Beijing office, delivered a keynote speech outlining three key 'hard truths' of AI adoption: AI cannot be treated as an isolated information technology project; leadership need to acquire the technology skills

to understand and utilise AI; and organisational culture is a critical determinant of AI success.

Sharon Liu, consulting partner at LABOURS, delivered a keynote speech on how multinationals can manage employment risks, and shared insights on managing labour relations amid organisational changes driven by AI and economic shifts.

The HR vice presidents' panel was moderated by Sunny Sun, vice chair of the HR Forum in Beijing, and featured four panellists: Anna Wang, principal HR business partner at Amazon Web Services CMHK; Melody Xu, head of people organisation at HP Inc. Greater China; Jenny Liu, senior vice president and head of HR at Swiss Reinsurance China; and Rebecca

HR Forum Chair Wang Shuhong delivers closing remarks.



CEO panel on AI transformation with EDF and Nokia executives discussing strategy, industry outlook and policy importance.



Jane Xing outlines the challenges of AI adoption.



Sharon Liu gives a keynote speech on how multinationals can manage employment risks.



The HR vice presidents' panel discusses AI skills, HR transformation, and hybrid intelligence in the workplace.



A panel of young professionals debates AI's impact on careers, work values, and human-AI collaboration.




Sun, senior corporate relationship manager at Pacific Prime China.

The panel debated the AI skills required in the current jobs market, how AI can reshape HR in the workplace, and how workers can be helped to acquire the right skills to properly leverage AI while staying responsible for outcomes. One panellist mentioned that HR faced challenges adopting AI due to resource constraints, data security risks with public tools, and adoption being a low investment priority. The panellists concluded that AI should empower humans through hybrid intelligence and healthy workplace relationships.

The young professionals' panel was moderated by Cindy Jensen, founder and CEO of INPOWER ONE, and featured four panellists: Ye Jiashan, International Graduate Program, Novo Nordisk; Angelo M'BA, Schwarzman scholar at Tsinghua University; Jing Jing, Schwarzman scholar at Tsinghua University; and Yin Xiaoyue, founder and chief executive officer of Vinsoo AI (Yunsi Intelligent Technology).

The panel explored AI's impact on work, careers and organisations. They discussed young professionals' priorities, which included making a meaningful contribution, maintaining a work-life balance, and working for organisations that trust and nurture their potential. They also discussed the generational differences in approaches to work and the importance of human-AI integration. They stressed that AI should be a tool to enhance human work, not replace it, and highlighted the value of continuous learning and responsible AI use.

Wang Shuhong returned to give closing remarks, during which she expressed appreciation to all speakers and guests for attending and reiterated the importance of embracing AI and learning to work with it. 

CROSS-BORDER DATA TRANSFERS BETWEEN THE EU AND CHINA

Converging principles, diverging rules

With the growing digitalisation of business, companies increasingly transfer personal data across borders as part of their daily operations. For organisations active in both Europe and China, understanding the rules governing these transfers is essential not only for compliance, but also for maintaining uninterrupted business operations. This article examines data transfers between the European Union (EU) and China, which are governed respectively by the General Data Protection Regulation (GDPR)¹ and the Personal Information Protection Law (PIPL).² **Carlo Diego D'Andrea** and **Jun Jie Yang** explain that while both frameworks aim to protect personal data, they reflect different regulatory philosophies and enforcement approaches.

At first glance, the GDPR and the PIPL appear to share a number of common principles. Both have extraterritorial scope, meaning that they may apply to processing activities conducted outside their respective territories when EU or Chinese personal data is involved. Both also emphasise lawful processing, transparency and data security.

However, their underlying structures differ significantly. The GDPR is built around the concept of accountability, placing responsibility on companies to ensure compliance, supported by independent supervisory authorities. The PIPL, by contrast, operates within a broader governance framework that reflects China's approach to data security and digital sovereignty, where regulatory oversight plays a more central role.

Cross-border transfers under the GDPR

Under the GDPR, personal data may be transferred outside the EU only if one of the conditions set out in Chapter V is satisfied. The most straightforward mechanism

¹ REGULATION (EU) 2016/679 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation), European Union, 27th April 2016, viewed 18th May 2026, <<https://eur-lex.europa.eu/eli/reg/2016/679/oj>>

² Personal Information Protection Law of the People's Republic of China, Cyberspace Administration of China, 20th August 2021, viewed 18th May 2026, <https://www.cac.gov.cn/2021-08/20/c_1631050028355286.htm>

“

At present, no adequacy decision exists between the EU and China. As a result, transfers from the EU to China typically rely on SCCs combined with a TIA.

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is an ‘adequacy decision’ by the European Commission, which confirms that a third country ensures a level of data protection essentially equivalent to that of the EU.

In the absence of an adequacy decision,³ companies must rely on alternative safeguards. These include Standard Contractual Clauses (SCCs), which are standard agreements approved by the European Commission, or Binding Corporate Rules (BCRs), typically used within multinational groups.

In addition, companies are generally required to carry out a Transfer Impact Assessment (TIA), a risk assessment that examines whether local laws in the destination country (particularly those allowing access to data by public authorities) may affect the level of protection guaranteed to EU personal data.

At present, no adequacy decision exists between the EU and China. As a result, transfers from the EU to China typically rely on SCCs combined with a TIA.

The EU’s approach to international data transfers has been shaped by important court decisions. In particular, the Schrems I⁴ and Schrems II⁵ judgments of the EU’s Court of Justice invalidated previous transfer frameworks with the United States, emphasising the need for effective safeguards against disproportionate access to personal data.

Cross-border transfers under the PIPL

China’s PIPL adopts a different structure for cross-border data transfers. It provides several compliance pathways depending on the nature of the data and the scale of processing.

Companies transferring personal information outside China may

be required to undergo a security assessment organised by the Cyberspace Administration of China (CAC), conclude a standard contract and file it with the CAC, or obtain certification from an approved institution.

In certain cases, simplified procedures or exemptions may apply. For example, some intra-group transfers for human resources or internal administrative purposes may fall outside the main requirements. At the same time, specific categories of operators, such as those processing large volumes of data, may be subject to data localisation obligations, meaning that personal data must generally be stored within China unless specific conditions are met.

This multi-layered system reflects China’s broader regulatory approach, where data protection is closely linked to national security and public interest considerations.

Case study: DeepSeek in Italy

A recent enforcement action shows how these regulatory differences can translate into immediate business risks.

In 2025, the Italian Data Protection Authority ordered the temporary suspension of the AI service offered by DeepSeek in Italy.⁶ The measure followed concerns regarding compliance with the GDPR, particularly in relation to transparency obligations and the handling of personal data.

The authority requested detailed information on the categories of

³ For a list of adequacy decisions, see: Adequacy decisions, European Commission, last updated 10th February 2026, viewed 18th May 2026, <https://commission.europa.eu/law/law-topic/data-protection/international-dimension-data-protection/adequacy-decisions_en>

⁴ To see the details of the judgement, search the term ‘C-362/14’ on the Court of Justice of the European Union’s InfoCuria database. See: InfoCuria, European Union, viewed 18th May 2026, <<https://infocuria.curia.europa.eu/>>

⁵ The CJEU judgment in the Schrems II case, European Parliament, September 2020, viewed 18th May 2026, <[https://www.europarl.europa.eu/RegData/etudes/ATAG/2020/652073/EPRS_ATAG\(2020\)652073_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/ATAG/2020/652073/EPRS_ATAG(2020)652073_EN.pdf)>

⁶ Artificial Intelligence: The Italian Data Protection Authority blocks DeepSeek, Garante per la protezione dei dati personali, 30th January 2025, viewed 18th May 2026, <<https://www.garanteprivacy.it/web/guest/home/docweb/-/docweb-display/docweb/10097450?english->

personal data processed, the purposes of processing, the legal basis relied upon, and the way in which data was stored and potentially transferred abroad. Particular attention was given to whether the personal data of EU users could be transferred to servers located in China without appropriate safeguards. In the absence of clear and sufficiently detailed explanations, the authority adopted a precautionary approach and restricted access to the service pending further assessment.

This case highlights a key aspect of the GDPR: companies must not only comply with the rules but must also be able to demonstrate compliance at any time.

From a cross-border data transfer perspective, the case also underlines the importance of identifying a valid transfer mechanism, carrying out a meaningful risk assessment and ensuring that users are clearly informed about how their data is handled.

More broadly, it illustrates the different regulatory logic of the two systems. While the PIPL allows cross-border transfers subject to compliance with procedural requirements, the GDPR places strong emphasis on individual rights and enables supervisory authorities to intervene rapidly where risks are identified.

Practical implications for multinational companies

For multinational companies operating across Europe and China, aligning compliance with both the GDPR and the PIPL can be complex, but it is increasingly necessary.

A key starting point is mapping data flows. Companies need to understand where personal data is collected, how it is processed, where it is stored, and whether it is transferred across borders. Clear



Aligning compliance with both the GDPR and the PIPL can be complex, but it is increasingly necessary.



and consistent documentation is equally important. Privacy notices, internal policies and contractual arrangements should be aligned, while still reflecting the specific requirements of each jurisdiction. In practice, many organisations adopt a dual compliance approach, with separate documentation and procedures for EU and China operations.

Risk assessments should also be treated as practical tools rather than formalities. Whether under the GDPR or the PIPL, these assessments help identify legal and operational risks and support informed decision-making. Finally, companies should be prepared for regulatory scrutiny. As illustrated by the DeepSeek case, enforcement actions may occur quickly and can lead to operational disruption, including restrictions on services or data flows.


A gradual convergence

Despite their differences, the GDPR and the PIPL are showing signs of gradual convergence around key principles such as transparency, accountability and data security.

For companies operating across both jurisdictions, developments in one system may increasingly support compliance in the other. Concepts such as privacy by design and strong internal governance are becoming central in both frameworks.

In an increasingly interconnected digital environment, a proactive and integrated approach to data protection is essential. Companies that invest in clear governance structures and cross-jurisdictional expertise are generally better positioned to manage risk while maintaining operational flexibility.

In practical terms, businesses should regularly map their data flows, review privacy notices and internal policies, verify the legal basis for international transfers, and ensure that contracts with service providers and business partners contain appropriate data protection provisions. Employee training and internal compliance procedures are also becoming increasingly important, particularly for companies handling customer data across multiple jurisdictions.

Given the complexity of cross-border data transfers and the continuing evolution of both regulatory systems, companies should consider seeking advice from qualified legal practitioners whenever there is uncertainty regarding the applicability of transfer requirements, data localisation obligations or the compliance of international data processing operations. 

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D'Andrea & Partners Legal Counsel is an international law firm assisting companies with cross-border legal and regulatory matters between Europe and Asia. With offices in China, Italy and other international markets, the firm advises multinational businesses on corporate, compliance, dispute resolution and data protection matters.

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.

HELLO



50

minutes

Hey!

Hi!



HE

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WeChat



Podcast

BEYOND DE-RISKING: How European companies can develop new technologies in China

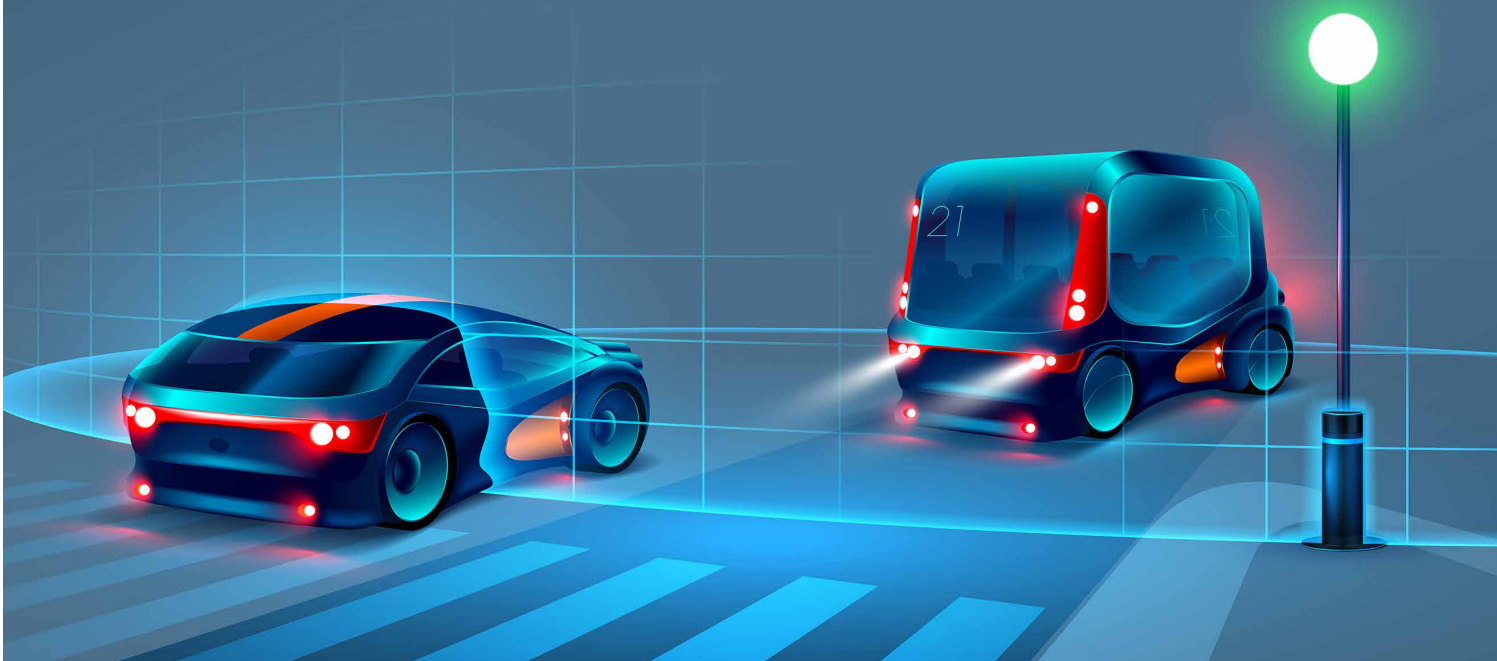
Since early 2026, frequent visits by European leaders to China have highlighted significant shifts in Europe-China industrial cooperation. Despite the European Commission's focus on de-risking and the imposition of tariffs on Chinese electric vehicles, European companies are increasing technology investments in China, engaging in meaningful technology co-creation rather than simply relocating capacity. This is not abandoning de-risking, but reflects a strategic push for controlled deep engagement amid complex geopolitics. **Aria Tian** explains how we can better understand this transformation.

Paradigm I: R&D localisation – balancing security and efficiency

When research and development (R&D) functions are established by European companies in China, a fundamental question immediately arises: How can Chinese teams properly participate in R&D while protecting core technology assets? This is

a core management challenge that all companies adopting Paradigm I must face. Based on industry practices, companies typically need to establish management mechanisms in the following dimensions:

'Layered authorisation' for technology access: A typical setup uses a 'core-periphery' layered model: core algorithms and technology stay in Europe, while Chinese R&D teams handle application development, localisation and performance tweaks. The teams connect via standardised interfaces; Chinese staff can use core algorithm functions but cannot access internal code. This 'black boxing' method protects trade secrets while enabling local innovation.



Dynamic evolution of permission systems:

As organisations build trust and enhance team competencies, they can incrementally broaden the scope of technology openness. This progression typically begins with granting access to application program interfaces, advancing to joint parameter tuning in the medium term, and ultimately leading to assigning responsibility for independent module development over the long term. Such a dynamic adjustment mechanism constitutes the foundation of Paradigm I management.

Pre-definition of ownership attribution:

Prior to initiating any collaborative efforts, it is essential to clarify ownership matters regardless of the extent of technology openness. Industry-standard approaches include 'global unified ownership with regional licensing' or establishing distinct agreements for background and foreground intellectual property (IP). These measures are designed to proactively mitigate potential ownership disputes related to Article 6 of China's Patent Law concerning service inventions.

Despite the ban introduced by the 2019 Foreign Investment Law on administrative forced technology transfer, the European Union Chamber of Commerce in China has reported limited progress in ending 'IP transfer for market access' in sectors such as rail transit.¹ The issue has persisted for four years, and many firms still rely on contractual firewall clauses before introducing new technologies.

Paradigm II: Brand licensing and technology systems

In February 2026, Sweden's Mölnlycke entered into a strategic partnership with China's Joyme Biotechnology. The Swedish party authorised the Chinese party to use its brands including Yueweike and MONTIVIK, while simultaneously offering related technology system support to jointly promote high-end dental implant materials in China and the Asia-Pacific market.²

Core IP management challenge for Paradigm II: Balancing control and growth

The core of brand licensing models lies in achieving market expansion through partners – the Chinese party is responsible for production capacity, channel building and local market insights, while the Swedish party provides brand support and technology resources. However, this also brings the risk of partially transferring brand reputation management to partners. If the Chinese party's product quality control or service standards deviate, it will directly impact the Swedish party's global brand image. Therefore, such 'brand licensing and technology system' models typically involve the following IP management considerations:

Legal control of brand quality:

According to Article 43 of China's Trademark Law, licensors have the obligation to supervise the quality of goods using their registered trademarks. Companies typically need to embed quality verification mechanisms in agreements to prevent brand devaluation risks.

For example, agreements may stipulate that licensed products must undergo licensor technical validation before market launch, and annual sampling audit failure rates exceeding specific thresholds trigger licence termination clauses. Specific thresholds and procedures require case-by-case negotiation.

Brand asset isolation: To prevent quality issues with a single partner from affecting the global brand, companies may consider establishing brand isolation mechanisms.

For example, establishing independent sub-brands for the China market to differentiate from the main brand; or clarifying in agreements that brand

usage rights are limited to China and cannot be used for exports; or linking market performance and quality records to renewal conditions. Specific isolation methods require case-by-case design based on brand strategy and market positioning.

Technology openness boundaries: In industry practice, companies typically need to establish technology grading management thinking, distinguishing between transferable technology modules and retained core assets.

For example, medical device companies may adopt the following grading approach – dividing technology into the drawing level (deliverable documents), training level (requiring on-site guidance) and joint development level (both parties participating), with core formulation source code not included. Specific grading standards and openness ranges vary by project and require case-by-case design based on technology characteristics and cooperation depth.

Paradigm III: Full value chain joint ventures

In January 2026, AstraZeneca announced plans to invest United States dollar 15 billion in China by 2030 to expand R&D and production facilities.³ This investment covers the full value chain – from early drug discovery and clinical development to large-scale production, focussing on cutting-edge fields such as cell therapy and radio conjugate drugs. AstraZeneca has established R&D partnerships with multiple Chinese biotech companies.

¹ *European Business in China National Position Paper 2024/2025*, European Union Chamber of Commerce in China, 11th September 2024, viewed 3rd June 2026, p. 9. <https://www.eurochamber.com.cn/en/publications-archives/1269/European_Business_in_China_Position_Paper_2024_2025>

² *Suzhou hosted the signing ceremony for China-Switzerland innovative products' cooperation agreement*, *Consumer Daily Network*, 12th February 2026, viewed 25th May 2026, <<https://www.xfrb.com.cn/article/jk/08153629516138.html>>

³ *AstraZeneca will invest over 100 billion RMB in China by 2030 to promote the development of next-generation innovative drugs*, *AstraZeneca*, 29th January 2026, viewed 25th May 2026, <<https://www.astrazeneca.com.cn/zh/media/press-releases/2026/01-29-01.html>>

Core IP management challenge for Paradigm III: Balancing sharing and autonomy

The central challenge lies in achieving ecosystem benefits through deep collaboration, all while preserving leadership in technological advancement.

Ownership definition for joint R&D: In cutting-edge fields such as cell therapy and artificial intelligence (AI) drug discovery, where researchers from both parties jointly complete inventions, ownership determination is highly prone to disputes. Standard industry practice is to establish a ‘process documentation’ mechanism.

For instance, a joint R&D achievement register may be established to facilitate transparent collaboration. R&D logs should record the contribution proportions and creation timestamps of each party in real time, while any background IP brought into the partnership by either party should be documented beforehand. Quarterly confirmation of stage achievement ownership should be jointly signed by IP representatives from both sides. The methods of documentation and frequency of confirmations should be tailored to the specific complexity of each project.

To balance the interests of both parties, companies may consider adopting a regional rights division model.

For instance, ‘China rights retention’ means the Chinese party keeps commercialisation rights for China, while the foreign party gets rights elsewhere. After launching the product, both sides share profits through revenue sharing. Rights division is negotiated case-by-case, considering each party’s R&D and market contributions.

Compliance architecture for clinical data: Cross-border flow of clinical

data is subject to multi-layered legal regulation in China: the *Regulations on the Management of Human Genetic Resources* require human genetic resource information to be stored locally, with export subject to approval by the State Council’s science and technology administrative department; the Data Security Law establishes an ‘important data’ catalogue system, with medical and health data typically included; the Personal Information Protection Law stipulates that cross-border transfer of sensitive personal information requires security assessment or standard contract filing; while the European Union General Data Protection Regulation imposes strict restrictions on data export. Companies need to establish a ‘dual compliance’ architecture that complies with the laws of both jurisdictions.

For example, a data pooling approach may be implemented whereby raw biological samples and related clinical information are retained within data centres that comply with Chinese regulations. Anonymised statistical data that cannot be re-identified is then transferred to the international R&D network using standard contractual clauses following the acquisition of secondary patient authorisation. The design of specific compliance pathways must be tailored to each case, taking into account the data type, level of re-identification risk and relevant legal requirements.

The policy landscape in this field is improving. In March 2024, the *Provisions on Promoting and Regulating Cross-border Data Flows* increased the standard contract filing threshold from 10,000 to 100,000 individuals and removed filing requirements for certain situations. The European Union Chamber of Commerce in China responded positively but suggested a narrower definition for ‘important data’ and recommended that legitimate

business needs be factored into necessity tests.⁴

Linking payments to IP milestones:

To align value distribution with technological advancement, companies can establish payment milestones tied to IP achievements within cooperation agreements.

For instance, payments may be structured across three phases: fixed fees for background IP licensing, milestone payments for joint R&D patent filings and revenue sharing from product launches based on dynamic percentages. Where appropriate, option mechanisms can be incorporated to stipulate future rights for increasing equity or repurchasing technology. Specific amounts and proportions should be determined individually, considering project risks and anticipated returns.

Paradigm selection: Analytical framework and dynamic considerations

The three paradigms are not ranked by superiority; rather, they depend on the match between companies’ core asset characteristics and objectives in China. In fact, regardless of which paradigm is chosen, companies face a series of common IP management issues.

These common issues include but are not limited to:

- Background IP definition: How are technology assets from both parties registered and verified prior to cooperation?
- Who retains the rights to any innovations produced through collabo-

⁴ European Business in China National Position Paper 2024/2025, European Union Chamber of Commerce in China, 11th September 2024, viewed 3rd June 2026, <https://www.eurochamber.com.cn/en/publications--archive/1269/European_Business_in_China_Position_Paper_2024_2025-

ration – will it be jointly owned or belong to a single party?

- Dispute resolution mechanisms: In situations involving ownership disputes, it is important to determine whether litigation or arbitration is the preferred method of resolution, as well as to select the appropriate jurisdiction for such proceedings.
- Data compliance obligations: In what manner do cross-border data transfers ensure adherence to the legal requirements of each respective jurisdiction?
- Personnel mobility risks: What strategies can be implemented to mitigate the risk of proprietary knowledge leakage when key technical staff depart?

These challenges persist across all forms of cooperation and are not eliminated by simply selecting a particular paradigm. The three paradigms differ in how they prioritise, approach complexity and use tools to address these concerns.

Ultimately, choosing a paradigm involves striking a balance between capital investment and control in light of both general issues and a company's unique asset profile – whether it is opting for full control through greater capital input (Paradigm I), achieving swift expansion with less investment but accepting reduced control (Paradigm II), or engaging deeply with China's innovation ecosystem by sharing both capital and control (Paradigm III).

Additionally, it should be noted:

First, this is a 'post-hoc induction' based on recent cases, not a prescription for future action.

The cases of Mölnlycke and AstraZeneca are business decisions

made at specific time points and in specific industry contexts. This article distils them into three paradigms to help readers establish a framework for analysis, not to imply that standard answers exist. A company may fall at the intersection of the three paradigms or may create a fourth paradigm – this is the essence of business innovation.

Second, paradigm selection is dynamic, not once and for all.

Companies often shift paradigms as they develop – starting with brand licensing (Paradigm II) to test markets, moving to wholly owned R&D (Paradigm I) after gaining knowledge, then using value chain joint ventures (Paradigm III) to learn from local innovation and set up independent R&D centres. They may also adjust partnerships in response to technology and market changes.

Beyond de-risking: Winning the technology dividend through IP management

Considering the three paradigms explored—from the internal ownership firewall found in wholly owned R&D operations, to the openness of technology grading seen in brand licensing, and the joint documentation practices typical of comprehensive value chain joint ventures—we can now envision a new approach to how European companies collaborate with their Chinese counterparts. It is no longer just about trading market access for technology, but about genuinely co-creating technology.

This shift is the strongest answer to de-risking policies. While political rhetoric often highlights decoupling and restrictions, European companies have demonstrated through their actions that the real danger lies not in

cooperation itself, but in cooperation without control. True security comes not from leaving the market, but from implementing advanced IP governance systems that allow for open collaboration while preserving leadership.

Companies that shift their IP management from reactive rights protection to proactive, integrated processes—and select adapted paradigms and management tools tailored to their core assets—are turning geopolitical challenges into strategic advantages. This approach lets firms benefit from the speed and scale of China's innovation ecosystem, while protecting their technological sovereignty through robust IP structures. 'Beyond de-risking' means not just avoiding risks passively, but actively managing them to secure technology benefits through thoughtful engagement.

Moving from simply entering China to truly co-creating with China depends on whether companies can develop IP management systems suited to collaborative tech development – systems that both protect the security baseline of core technologies and enable shared innovation. This is more than a strategic decision; it is the only way European firms can remain globally competitive in an increasingly fragmented world. 

Aria Tian brings almost 20 years of experience as a strategic consultant specialising in law, intellectual property and technology commercialisation. She has worked with top international law firms and a major airline, dedicating her efforts to innovation strategy research and guiding the creation and market launch of sophisticated digital products.

The **Rouse Group** is recognised as a market-leading IP services business. With more than 1,000 people working out of 43 offices in 19 jurisdictions, the Group covers key markets in Europe, the Middle East and Africa, and the Asia Pacific.

Media Watch

Chamber's views on EU-China relations sought by European media

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 (EU) Member States and the European Commission, as well as think tanks. During the visit, Eskelund participated in a number of interviews, including with Noah Barkin, writer of the widely read *Watching China in Europe* newsletter, and *China Table*. Eskelund pointed out the need for Europe to adopt a more unified approach towards China, and the risk that failing to do so could see China continue to play EU Member States off against one another.

Chamber publishes report on China's expanding export control regime

The European Chamber launched *Exporting Control: China's New Strategic Toolkit* on 14th April, at an official launch event attended by 23 journalists. Prior to this, two embargoed media roundtables were held on 7th and 10th April, and attended by 13 journalists from leading international publications. Within 24 hours of its launch, 23 original articles were published on the report.

International media coverage predominantly focussed on the concerns over export controls being increasingly repurposed by countries as strategic trade measures. Many media outlets covered the report together with the recent *State Council Regulations on Industrial and Supply Chain Security*, which demonstrates how China is now mapping out an extensive legal regime for controlling its supply chains.

Watching China in Europe – March 2026

Deconstructing the Merz trip to China - the good, the bad and the ugly



NOAH BARKIN
MAR 02, 2026

Watching China in Europe newsletter on German Chancellor Friedrich Merz's visit to China
Media: *Watching China in Europe*
Date: 2nd March 2026

Eskelund: "China doubts Europe can act together"

Interview by *China Table* with President Eskelund
Media: *China Table*
Date: 8th March 2026

China Imposes New Rules to Block Foreign Companies From 'Decoupling'

Multinationals in China are concerned that the regulations could allow authorities to penalize companies and executives for shifting supply chains away from the country.

A *New York Times* article on the report
Media: *New York Times*
Date: 14th April 2026



Chamber President Jens Eskelund being interviewed live by *CNBC* on the report
Media: *CNBC*
Date: 14th April 2026



Secretary General Adam Dunnett speaking to *CGTN*
Media: *CGTN*
Date: 11th March 2026

The EU returns to China after 8 years

A delegation of MPs focused on the digital economy and e-commerce

Article published by *EFA* on the visit
Media: *EFA*
Date: 30th March 2026

European Parliament delegation visits China; first such visit in 8 years may help EU lawmakers gain a more objective understanding of China: Chinese expert

By Chen Qingqing and Liu Xin
 Published: Mar 31, 2026 10:14 PM

A *Global Times* article on the visit
Media: *Global Times*
Date: 31st March 2026

Visiting European Parliament delegation meets with Chamber

A delegation of lawmakers from the European Parliament visited China between 31st March and 2nd April, marking the first such visit in eight years. In Beijing, the delegation met with representatives from the European Chamber to discuss online trade- and market access-related challenges faced by European companies operating in China. The session was reported on by media outlets including *EFA*, the *Global Times* and *STCN*. An article published by *NEWS.AZ* quoted President Eskelund’s remark that the Chamber hopes that through continued engagement the two sides can find a way to mitigate risks, create opportunities and strengthen cooperation.

Chamber comments on Two Sessions and 15th Five-year Plan

The 2026 Two Sessions—consisting of the Chinese People’s Political Consultative Conference and the National People’s Congress—were held from 4th to 12th March. After being approved at the 2026 National People’s Congress, China’s 15th Five-year Plan (15FYP) was released on 13th March, following the culmination of the Two Sessions. The 15FYP places an emphasis on security-related policies, as well as achieving high-quality sustainable growth through the use of advanced technology, including artificial intelligence (AI).

On 5th March, the Chamber published a statement on the Government Work Report, and another statement on the 15FYP on 13th March. The statements garnered coverage in media including *Nouvelles d’Europe*, which echoed the Chamber’s call for the Chinese Government to ensure that the 15FYP’s stated objective of achieving national treatment for foreign-invested enterprises is not undermined by the country’s pursuit of its self-reliance goals.

On 11th March, Chamber Secretary General Adam Dunnett was interviewed live by *CGTN* on the Two Sessions. He outlined the need for the Chinese authorities to take action to reassure foreign companies that China remains a reliable sourcing and production destination. Chamber Vice President Gianni Di Giovanni was also interviewed by *CGTN*. He outlined that it is a positive development that recent policy documents, including China’s 15FYP, have highlighted the importance of achieving sustainable, quality growth, over breakneck gross domestic product growth.



Chamber Vice President Gianni Di Giovanni speaking on a *CGTN* panel
Media: *CGTN*
Date: 2nd April

Events Gallery

BEIJING, 11TH MARCH 2026

Exclusive Dialogue with Timothy P. Stratford | US-EU-China Trade Relations: Charting a New Normal



- The US-China trade relationship remains in a fragile truce with high tariffs and defensive postures, as both sides use the pause to strengthen their positions while avoiding further provocative actions.
- Global trade is shifting from post-war multilateralism towards a paradigm based on aligned national interests, requiring countries and companies to identify and expand the overlap of mutually beneficial, non-sensitive trade.
- Multinational companies need industry analysis, supply chain localisation, niche strategies and risk assessment to navigate policy shifts and joint venture challenges.

BEIJING, 13TH MARCH 2026

2026 Two Sessions: Redefining China's Path



- China is aiming for about five per cent gross domestic product growth in 2026, with priority given to policy stability and sustained support for domestic demand.
- China's trade grew strongly in early 2026, supported by solid manufacturing and increased trade with other Asian countries and the EU.
- European policymakers are increasingly concerned about China's trade surplus, overcapacity and lack of effective domestic demand measures.

SHANGHAI, 12TH MARCH 2026

Investment Conference: From Maintenance to Reinvestment, the Next Phase of FDI in China



- Companies are increasingly adopting localisation strategies, including closer partnerships with Asian customers and enhanced local production capabilities, to remain competitive in China.
- Businesses are re-evaluating their China strategies by balancing growth opportunities with risk mitigation, focussing on de-risking rather than disengagement.
- While challenges such as overcapacity, declining profitability and global uncertainty persist, China continues to offer strong advantages through its innovation ecosystem and integrated supply chains.

SHANGHAI, 22ND APRIL 2026

B2B Marketing - Sharing Insider Insights for 2026



- Business-to-business (B2B) marketing in China is evolving rapidly, requiring companies to adapt to changing buyer expectations, compressed decision cycles and an increasingly digital landscape.
- Technological advances are reshaping media, advertising and communications strategies, creating both new opportunities and operational challenges for marketers.
- Trust, credibility, and market readiness are becoming critical drivers of successful B2B lead generation and customer conversion in China.

TIANJIN, 27TH MARCH 2026

European Chamber 2026 Government Dialogue in Tianjin and Annual General Meeting



- International schools, along with other companies in Tianjin, want more flexibility on individual income tax arrangements and work permit regulations for foreign nationals.
- European companies value policy continuity, consistent implementation and the fulfilment of prior commitments.
- European small and medium-sized enterprises seek more targeted support, including dedicated service windows, clearer policy guidance and lower compliance costs, to better support the development of niche 'hidden champion' companies.

NANJING, 16TH APRIL 2026

2026 European Chamber Nanjing Chapter Annual General Meeting



- Manufacturing overcapacity and a *renminbi* devaluation have made Chinese exports incredibly competitive, resulting in market share gains.
- China's rising share of the global export market came at the detriment of other exporters, including the EU.
- There are many commodities where China's share of global container exports is well above 50 per cent.

SOUTHWEST CHINA, 16TH APRIL 2026

European Chamber Southwest China Chapter Visited Chengdu Eastern New Area



- Members think that the new area is a key hub in the Chengdu-Chongqing Twin-City Economic Circle, which enjoys prominent geographical advantages.
- The new area will focus on enterprises' demands, address practical difficulties, implement relevant measures and maintain regular communication.

SOUTH CHINA, 21ST MAY 2026

The European Chamber South China Chapter Annual General Meeting 2026



- China's economy will continue to advance structural transformation and maintain reasonable growth in 2026.
- As imports and exports become more balanced, domestic demand, including consumption and investment, will become the primary driver of growth.
- To achieve sustainable development in China, foreign enterprises need to pursue in-depth local integration and policy adaptation, advance technological localisation and innovation, and target national strategic sectors to deliver mutual growth for businesses and regional economies.

Advisory Council News

SAP to acquire Prior Labs to establish globally leading frontier AI lab in Europe

SAP SE and Prior Labs, the pioneer of Tabular Foundation Models (TFMs), announced that they have entered into a definitive agreement for SAP to purchase Prior Labs, accelerating SAP's success in TFMs that started with SAP-RPT-1, and bringing one of the world's leading TFM research teams into the SAP family.

Prior Labs will continue to operate as an independent entity, with SAP committing to invest more than euro one billion over the next four years to scale it into a globally leading frontier AI lab for the structured data that runs the world's businesses. The terms of the deal were not disclosed, and the transaction is still pending regulatory approval.

Large language models (LLMs) struggle to make accurate predictions on structured business data because they have only a rudimentary understanding of tables, numbers and statistics. Unlike LLMs, TFMs are purpose-built for this type of data and can accurately predict business outcomes based on tabular data such as payment delays, supplier risks, upsell opportunities, customer churn risk and more.

Once the transaction is closed, with Prior Labs, SAP will have the unique opportunity to establish an industry-leading AI research lab and shape a new category in TFMs. The lab will operate as an independent unit to ensure research velocity, while SAP provides long-term investment and a direct path to productisation across the SAP portfolio with SAP AI Core and SAP Business Data Cloud, as well as the agentic layer with Joule.

Carlsberg Group, WWF Denmark expand partnership to protect water resources in Asia

Water is a critical ingredient to every Carlsberg beverage, and the company

is committed to safeguarding water resources to ensure its long-term resilience. The partnership between WWF and the Carlsberg Group, which began in 2018, is now entering its third phase with a strong focus on long-term impact. The partnership is developed based on results from the WWF Water Risk Filter, an online tool which enables companies to explore, assess, and respond to water risks in their production and supply chain.

From 2026 to 2028, the work will centre on restoring degraded wetlands in Nepal, establishing a new wetland restoration project in Ningxia in China's Yellow River basin, and maintaining and monitoring existing projects in China and Laos. The work continues the emphasis on long-term water stewardship and collective action at basin level to deliver lasting impact.

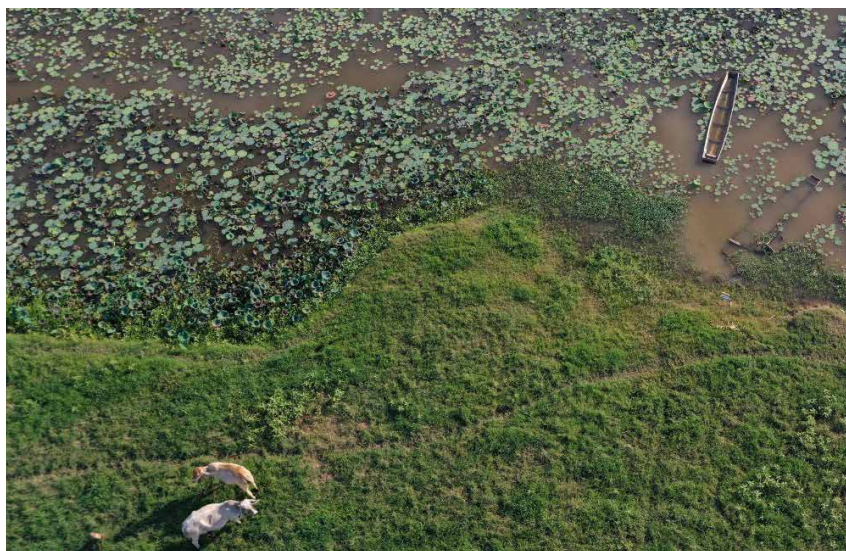


Photo: Carlsberg

Restoring water resources and ecosystems

In many of the project areas, freshwater ecosystems have been disrupted due to climate change, pollution and overuse of water resources. This has led to declining water quality, increased evaporation and a growing risk of wetlands turning into drylands.

Through wetland restoration and nature-based solutions, the partnership aims to return clean water to nature and generate greater benefits for local ecosystems and communities while fostering societal change. One key indicator of success is the increase of local wildlife populations as a sign of a healthy and resilient freshwater ecosystem.

When fully implemented, the projects in Nepal, China and Laos are expected to contribute to about 40 per cent of Carlsberg Group's 2032 target of replenishing 100 per cent of the water consumption at Carlsberg's breweries in high-risk areas.

Covestro launches its largest energy efficiency project to date

With the investment in a new steam compressor at its Dormagen site, Covestro will reduce its energy consumption in Germany by two per cent per year compared to 2025. The company's largest energy efficiency project to date will save a low three-digit GWh volume of energy and more than 40,000 tons of carbon dioxide (CO₂) emissions per year. This is equivalent to the CO₂ emissions of a town of 5,000 inhabitants or approximately 20,000 cars. Covestro is investing a low double-digit million-euro amount in the modernisation project.



Photo: Covestro

The new compressor operates on the principle of a heat pump: Water vapor is generated during the production processes for TDI, a component of flexible foam. Covestro requires steam for many production processes, but the steam produced during TDI manufacturing is not hot enough. Therefore, some of it is released into the environment as waste heat. The compressor raises the steam to a higher temperature and pressure level, making it suitable for use in production processes.

“Energy efficiency is a key lever for transforming our production towards climate neutrality and a circular economy. The principle is: the less energy we need, the better,” says Thorsten Dreier, chief technology officer of Covestro.

From 2005 to 2022, Covestro already reduced its energy consumption by around 40 per cent. The next goal: By 2030, the company aims to consume 20 per cent less energy per ton of product produced than in 2020.

This project is part of an energy efficiency strategy with which

Covestro is driving its transformation to climate-neutral production. As part of the master plan, the company is continuously searching for further potential energy efficiency measures.

Following the installation of an energy-efficient reactor at the TDI plant last year, the new compressor for the Dormagen site is the next major project to future-proof the location: “This investment clearly demonstrates Covestro's long-term belief in the Dormagen site and its commitment to investing here,” says Philip Bahke, head of operations in Dormagen and North Rhine-Westphalia.

Construction is scheduled to begin at the end of this year, with the compressor expected to go into operation in mid-2027. [E6](#)

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