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I. Regulations of the People's Republic of China on Countering Unlawful Extraterritorial Jurisdiction Measures Imposed by Foreign States

On 7 April 2026, the State Council issued the *Regulation of the People's Republic of China on Countering the Inappropriate Extraterritorial Jurisdiction of Foreign Countries* (the "**Regulation**"), which took effect on the same day. The Regulation establishes an administrative framework for identifying and responding to extraterritorial measures from a foreign jurisdiction that China considers to be inappropriate.

Under the Regulation, the department of rule of law of the State Council, together with other relevant authorities, may identify and announce extraterritorial measures of a foreign jurisdiction to be inappropriate by considering whether they violate international law, whether the relevant conduct has an appropriate connection with the foreign country, and whether they harm China's sovereignty, security, development interests, or the rights of Chinese citizens and organizations. Once such an identification and announcement is made, organizations and individuals may not execute or assist in executing it without approval of the PRC State Council. The Regulation also allows Chinese authorities to place relevant foreign actors on a malicious entity list and impose countermeasures, including restrictions on entry, assets, transactions, data or personal information transfers, import and export activities, investment, and fines.

In practice, the Regulation may primarily affect companies caught between foreign sanctions, export control, data transfer, or litigation-related requirements and PRC restrictions. Its practical impact will depend on how broadly foreign measures are identified as "inappropriate" and how often approval is granted for parties that need to comply with conflicting foreign legal obligations.

II. Regulation on Industrial and Supply Chain Security

On 31 March 2026, the State Council promulgated the **Regulation on Industrial and Supply Chain Security** (the "**Regulation**"), China's first administrative regulation dedicated to industrial and supply chain security. The Regulation establishes a framework covering key sectors, risk monitoring, emergency response, supply chain security investigations and countermeasures.

- **Supply Chain Security Investigations and Information Collection**

The Regulation establishes a framework for supply chain security investigations, building upon China's existing anti-sanctions regime, including the Anti-Foreign Sanctions Law and the Provisions on the Unreliable Entity List. Particular attention should be paid to Article 13, which regulates information collection activities relating to industrial and supply chains conducted within China. The provision applies to any organisation or individual and is not limited to foreign entities or situations involving cross-border data transfers. As a result, multinational companies, Chinese subsidiaries, suppliers and third-party auditors conducting supplier audits, traceability reviews or other industrial or supply chain due diligence activities in China should carefully assess the applicable legal requirements.

- **Key Compliance Implications**

The Regulation presents a new compliance challenge for multinational companies. Businesses should therefore closely monitor future implementing rules, particularly the release of the Key Sectors List, and assess whether their operations may be affected. As China's industrial and supply chain security framework continues to evolve, integrating industrial and supply chain governance into broader cross-border compliance programmes will become increasingly important.

III. The Foreign Trade Law (2025 Revision)

On March 1, 2026, the Foreign Trade Law of the PRC (2025 Revision) (the "**2025 Revision**") took effect. It serves as the fundamental legal framework for China's foreign trade activities, covering goods, technology, and services. In this publication, we'll briefly introduce the main revisions.

Article 31 introduces a statutory negative list for cross-border services trade. Foreign-invested enterprises (the "**FIEs**") should review their business against the list. Activities outside the list are generally open, while those on the list require a license; Article 7 requires governments at all levels to conduct compliance assessments when formulating foreign trade policies; Article 40 expands trade restrictions to foreign individuals/organizations harming China's interests and prohibits domestic entities from providing agency, freight, or customs services to circumvent such measures. For violations of Article 40, Article 76 prescribes penalties including disgorgement, fines, industry bans, and criminal liability; Article 38 makes data security a statutory duty for foreign trade operators; Article 71 increases the maximum fine for unauthorized trading of state-run goods from RMB 50,000 to RMB 500,000; Article 77 clarifies coordination obligations of customs, bank, foreign exchange authorities, and financial institutions.

In conclusion, while the 2025 Revision creates market opportunities for FIEs, it also imposes stricter compliance obligations. FIEs should therefore closely monitor these revisions and ensure timely compliance.

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