

On 31 March 2026, the Premier of China, Li Qiang, signed State Council Order No. 834, promulgating the Provisions of the State Council on the Security of Industrial Chains and Supply Chains (供应链产业链安全管理条例, the Provisions).

Adopted on 13 March 2026 and effective upon publication, the Provisions constitute the first dedicated administrative regulation in China on industrial and supply chain security.¹ In only eighteen articles, the instrument establishes new investigation procedures, vests broad countermeasure authority over foreign states and private actors alike, restricts supply chain-related information gathering in China, and imposes compliance obligations on every organisation and individual within Chinese territory. For operators from the US, the EU, the UK, Japan, South Korea and elsewhere, the Provisions introduce a new and consequential layer of legal risk.

The Provisions were publicly announced on 7 April 2026 in a question-and-answer session conducted by the Ministry of Justice (MOJ). A senior MOJ official explained that no single earlier instrument had offered a unified framework for risk prevention, emergency response and countermeasures; the Provisions fill that gap, consolidating authorities drawn, *inter alia*, from the National Security Law, the Foreign Relations Law and the Foreign Trade Law.²

Geopolitical Context and Timing

The Provisions arrive at a moment of acute supply chain stress: US-China tariff escalation, semiconductor and advanced-manufacturing export controls coordinated among the US, Japan, the Netherlands and South Korea, and Chinese retaliatory measures on critical minerals and rare earths. The Provisions are best understood not as a reactive measure but as the culmination of a legislative trajectory pursued systematically since at least 2020, accelerating after entity-list designations, semiconductor controls and the secondary-sanctions experience of the Russia-Ukraine conflict.³

The October 2025 sequence merits particular attention. The Ministry of Transport opened an investigation into the impact of US Section 301 maritime measures on China's shipping, shipbuilding and related supply chain security, and imposed special port fees on US-linked vessels on a staged schedule running through 2028.

Structure and Core Provisions

The Provisions combine preparatory and coercive functions. Institutional responsibility is distributed across roughly fifteen central government departments (e.g. industrial, security, cyberspace, customs and financial-regulatory), with provincial governments participating under national coordination. State Council departments must develop a dynamically adjusted "key sectors" list, establish information-sharing and risk-monitoring systems, organise strategic reserves, and prepare emergency-response plans authorising requisition, mandated production and directed transportation in the event of supply chain disruption. Article 13 separately restricts supply chain-related information gathering within Chinese territory; Article 9 authorises enterprises, industry associations and chambers of commerce to report situations affecting supply chain security, creating a bottom-up enforcement channel alongside top-down state monitoring.⁴

Articles 14 and 15 set out the countermeasures architecture. Article 14 reaches foreign states, regions and international organisations that adopt "discriminatory prohibitions, restrictions, or similar measures" against China in the supply chain domain; available measures include, *inter alia*, import and export prohibitions on goods, technology and international services trade, together with special levies. Article 15 extends the same logic to foreign organisations and individuals that violate "normal market-transaction principles" or adopt discriminatory measures causing or threatening "substantial harm" to China's supply-chain security. Available remedies include prohibitions on the target's imports, exports, investment in China and transactions with Chinese entities; bars on entry of personnel and vehicles; and the revocation of work or residence permits, with the measures extending to entities effectively controlled by, or established with, the target.

1 State Council of the People's Republic of China, "[Provisions of the State Council on the Security of Industrial Chains and Supply Chains](#)," Order No. 834, adopted 13 March 2026, promulgated 31 March 2026.

2 Ministry of Justice of the People's Republic of China, "[Official Q&A on the Provisions of the State Council on the Security of Industrial Chains and Supply Chains](#)," 7 April 2026; *vid. People's Daily*, "[Rollout Coverage of the Provisions on the Security of Industrial Chains and Supply Chains](#)," 8 April 2026.

3 Key precursors in the Chinese economic-security framework include Standing Committee of the National People's Congress, "[Export Control Law of the People's Republic of China](#)," 17 October 2020; "[Data Security Law of the People's Republic of China](#)," 10 June 2021; and "[Foreign Relations Law of the People's Republic of China](#)," 28 June 2023.

4 Order No. 834, *supra* No. 1, arts. 3 (institutional responsibilities), 7 (key sectors list), 8-10 (information sharing, monitoring and risk prevention), 9 (reporting by enterprises, industry associations and chambers of commerce), 11 (emergency management), 12 (research, development and technology security), 13 (information-gathering restrictions), 14-15 (countermeasures against foreign states and private actors) and 16 (compliance obligation and penalties).

Article 16 then completes the framework: all organisations and individuals within China “shall execute” those countermeasures, with noncompliance attracting exclusion from government procurement, restrictions on import, export and international services trade, and restrictions on the cross-border transfer of data and personal information.

Implications for Operators

European operators face particular exposure, even though the Provisions are jurisdiction-neutral on their face. The European Commission’s (EC) alignment with US semiconductor export controls (e.g. the Dutch and Japanese restrictions on advanced lithography and chipmaking equipment) has been characterised by Chinese official media as participation in supply-chain coercion, even as the EU itself builds derisking instruments such as the Anti-Coercion Instrument, in force since December 2023. Any EU-origin company that restricts, downgrades or terminates supply relationships with Chinese counterparts in compliance with EU or multilateral export controls could face investigation and the full range of countermeasures under Article 15.⁵

The result is a structural compliance conflict. A European manufacturer in China may simultaneously face an EU obligation to restrict certain exports and a Chinese obligation, under Article 16, to execute the countermeasures adopted in response, with full compliance with one jurisdiction’s rules potentially constituting a violation of the other. Article 15’s reach extends beyond overt sanctions compliance to ordinary commercial decisions (i.e. terminating supply, withdrawing from China-linked supply chains, or altering sourcing under home-jurisdiction pressure), each of which may be characterised as discriminatory or as causing substantial harm to China’s supply-chain security. Article 13’s information-gathering restrictions, moreover, create legal risk for routine compliance; environmental, social and governance (ESG); and human-rights due diligence conducted within China.

For foreign groups with operations in China, Article 16 may be the single most consequential provision: its penalties reach not only the enterprise (e.g. exclusion from procurement, trade restrictions and cross-border data controls) but also individuals, through restrictions on entry, exit, stay and residence. Expatriate managers and local personnel may face personal consequences where a China-based subsidiary has failed to execute a countermeasure that its home-jurisdiction law forbids. Banks, insurers, trade-finance providers and payment intermediaries face indirect exposure on the same axes: any matter involving designated parties, blocked transactions, restricted services trade or cross-border data restrictions may place a financial institution in conflict-of-laws territory.

Litigation Risk

Administrative penalties under the Provisions are not the only avenue of exposure. Article 12 of the Anti-Foreign Sanctions Law (AFSL), enacted in 2021, expressly prohibits any organisation or individual from implementing, or assisting in the implementation of, discriminatory restrictive measures imposed by foreign countries against Chinese citizens or entities. A party that violates this prohibition, and thereby infringes the lawful rights and interests of Chinese parties, may face civil liability, including orders to cease the infringing conduct and to compensate for any resulting losses. Accordingly, if a specific sanction falls within the scope of “discriminatory restrictive measures” under the AFSL, a court may refuse to enforce a termination clause based on the imposition of sanctions, on the ground that its enforcement would itself contravene Article 12.⁶

Litigation under Article 12 has already taken place before a Chinese maritime court. In a case published by the Nanjing Maritime Court in 2025, a Chinese marine engineering company and a Swiss company entered into a subcontract for the construction of a seawater treatment and injection module for a floating production, storage and offloading (FPSO) project. After the Chinese company completed and delivered the module, the US Department of the Treasury’s Office of Foreign Assets Control (OFAC) placed it on the Specially Designated Nationals and Blocked Persons List (SDN List). The Swiss company subsequently suspended payment of the final instalment, claiming that it had to comply with the OFAC directive. During the proceedings, the court expressly informed the Swiss company of the legal consequences under Chinese law of assisting in the implementation of foreign unilateral sanctions. The Swiss company then sought a payment licence from OFAC, and, with the court’s facilitation, the parties reached a settlement, enabling the Chinese company to recover the outstanding payment.⁷

How We Can Help

Navigating the friction between global sanctions and Chinese regulatory shifts requires more than legal advice. It requires a clear map of your exposure. Our international trade and sanctions compliance team helps multinationals, financial institutions and energy leaders manage these conflicting obligations across borders.

We do not just identify the risks. We build the frameworks to manage them. Our team designs the supply chain due diligence programmes. We draft the *force majeure* clauses for Chinese contracts. We assess how the new provisions impact your current deals. Our focus remains on protecting you from regulatory heat and litigation.

⁵ European Parliament and Council of the European Union, “[Regulation \(EU\) 2023/2675 on the Protection of the Union and Its Member States from Economic Coercion by Third Countries](#),” *Official Journal of the European Union* L, 7 December 2023; cf. Council of the European Union, “[Council Regulation \(EC\) No 2271/96 Protecting Against the Effects of the Extra-territorial Application of Legislation Adopted by a Third Country](#),” *Official Journal of the European Communities* L 309, 29 November 1996.

⁶ Standing Committee of the National People’s Congress, “[Anti-Foreign Sanctions Law of the People’s Republic of China](#),” 10 June 2021, Art. 12.

⁷ Nanjing Maritime Court, “[Nanjing Maritime Court Trial Report on Foreign and Hong Kong, Macao, Taiwan-related Cases \(2020–2025\)](#),” 29 September 2025 (*N.B.* identifying the case as the “national first civil tort case concerning the Anti-Foreign Sanctions Law”); *vid.* Supreme People’s Court of the People’s Republic of China, “[Key Takeaways from SPC 2024 Work Report](#),” 27 March 2025; cf. *South China Morning Post*, “[Is This Maritime Court Case a Model of China’s Anti-Sanctions Law in Action?](#)” 27 February 2026.

As enforcement trends and key sector lists continue to emerge, we will provide proactive guidance. If you are concerned about how these shifts affect your operations, reach out to your usual partner or any member of our team to start the conversation.



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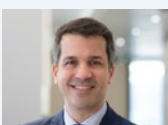


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