BRITISH CHAMBER OF COMMERCE IN CHINA
中国英国商会

BRITISH BUSINESS IN CHINA: POSITION PAPER

2026

ABOUT THE BRITISH CHAMBER OF COMMERCE IN CHINA

The British Chamber of Commerce in China is an independent, not-for-profit membership organisation dedicated to supporting British companies operating in mainland China. Through advocacy, knowledge sharing and community engagement, we help our members navigate one of the world's most dynamic and complex markets. Drawing on decades of experience across sectors and regions, the Chamber serves as an independent voice for British business in China.

A core part of our work is facilitating dialogue between our members and policymakers in both the United Kingdom and China. Through this engagement, we seek to improve the operating environment for British companies and ensure that the experiences of businesses on the ground inform policy discussions, while strengthening bilateral commercial ties.

Our flagship policy publications are the annual Position Paper and Business Sentiment Survey, two leading assessments of the realities facing British businesses in China. Together, they provide practical recommendations to policymakers, identify barriers to growth and investment, and offer insight into the evolving business environment. Complemented by sector-specific reports and research, these publications support informed decision-making and contribute to a stronger and more resilient UK-China economic relationship.

ABOUT THE POSITION PAPER 2026

The British Business in China: Position Paper 2026 represents the views of the British Chamber of Commerce in China's members on ongoing regulatory and policy challenges affecting British businesses in China. The report provides an assessment of the business environment and offers practical recommendations aimed at improving market access and operating conditions.

The cross-sector challenges addressed in this report draw on regulatory issues identified in the British Business in China: Sentiment Survey 2025-2026, alongside policy developments and progress over the past year. The paper then covers eight sectors closely linked to the UK industrial strategy. This year saw the addition of new sections on advanced manufacturing and standards setting.

Analysis within the paper draws on data from the Business Sentiment Survey 2025-2026, alongside industry roundtables and interviews conducted with British companies across China. Engagement included members from the Chamber's branches in South China and Southwest China, as well as members of the British Chamber of Commerce in Shanghai. This year included roundtables in Beijing, Chengdu, Chongqing, Shenzhen, Guangzhou, Shanghai and Tianjin. Interviews conducted between December 2025 and May 2026 drew input from companies of different sizes and with varying levels of market experience. Roundtables on manufacturing were held in Beijing, Tianjin and Chengdu, alongside submissions from the British Chamber of Commerce South China's Supply Chain Working Group.

The recommendations in this Position Paper reflect priority areas identified by members during the data collection period and do not represent an exhaustive assessment of the challenges facing foreign businesses in China. The British Chamber of Commerce in China does not assume legal liability for the accuracy or completeness of the information contained in this paper.

CHAIRS' FOREWORD

We are delighted to welcome you to the eighth British Chamber of Commerce in China Position Paper. This annual policy document articulates the Chamber's advocacy efforts on behalf of our members, offering a comprehensive overview of the current business landscape in China for both the Chinese and British governments, as well as other stakeholders.

The Position Paper is a collaborative effort, led by our advocacy team and key members of the British Chambers across the country. Its overriding purpose is to support our members, and it would not have been possible without their insightful contributions. Our thanks go to all of them.

The UK-China relationship has continued to gain momentum following British Prime Minister Sir Keir Starmer's visit to China in January – the first by a British Prime Minister in eight years.[1] We have seen first-hand the importance that British and Chinese businesses continue to place on a stable and constructive bilateral relationship. Alongside many of the UK's leading CEOs, we had the opportunity to hear directly from Chinese founders of global market-leading companies in the technology, automotive and new energy sectors during a series of high-level UK-China meetings held alongside the visit. We were struck by the energy and optimism underpinning this renewed momentum in the bilateral relationship.

This work has not happened overnight. The Prime Minister's visit followed a series of trips over the past two years by members of his cabinet, all underscored by a China strategy emphasising engagement, stability and pragmatism. As Chairs, we have seen firsthand how this renewed engagement is taking shape across China.

At the ministerial level in Beijing, discussions around business cooperation and operational issues have become noticeably more practical, with senior officials demonstrating a greater willingness to engage on the realities facing businesses in China.

In Shanghai, where many of the UK's largest businesses maintain their China headquarters, the Prime Minister's visit reinforced the strong appetite among both British and Chinese companies for deeper commercial ties and long-term partnership.

Across South China and Southwest China, improved access to provincial and municipal leadership has strengthened dialogue on issues ranging from supply chain resilience to supporting Chinese companies in their international expansion, helping address practical challenges faced by British businesses operating in these regions. The UK's status as an honoured partner at both the China International Fair for Investment and Trade (CIFIT) in Xiamen and

1 'Prime Minister visit to China: trade and investment factsheet,' GOV.UK, January 2026

the Western China International Fair further reflected the growing breadth of the bilateral relationship and opportunities for expanded cooperation. [2] [3]

Between us as Chairs, we have been struck by the direct and honest conversations between senior leaders discussing often granular business issues across key sectors. Collectively, these discussions are helping create the conditions for further progress for British business in China across sectors and regions.

The structure of this year's Position Paper is more closely aligned with both the UK's ten-year Industrial Strategy and China's economic development, notably its 15th Five-Year Plan (2026-2030).[4] We focus on life sciences, clean energy and industrial innovation, and have included new chapters covering advanced manufacturing, standards and creative industries.

The clearest indication of the growing UK-China partnership and opportunity for mutual benefit can be found in the services economy. British services companies are well placed to support Chinese companies as they expand internationally. Across legal, financial, advisory and professional services, British firms bring technical expertise and international experience that can help businesses navigate new and often unfamiliar markets. Increased bilateral partnerships in the services sector are crucial for both countries as they focus on long-term growth and competitiveness.

There is much to celebrate in the UK-China relationship. Yet challenges remain. Our members continue to face complex operating conditions, sometimes opaque regulatory processes and persistently sluggish consumer demand, all set against a backdrop of geopolitical uncertainty. The 46 recommendations set out in this year's Position Paper address ongoing barriers to strengthened trade, investment and cooperation. Our members tell us that clearer implementation and more predictable operating conditions would help unlock further investment from their head offices.

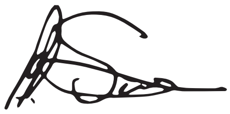
While recognising that significant progress is being made in building the UK-China relationship, we offer these recommendations in the spirit of increased co-operation, pragmatic engagement and mutual respect. As ever, the British Chamber of Commerce in China remains committed to strengthening a bilateral economic relationship capable of withstanding geopolitical challenges.

CHRIS TORRENS

British Chamber of Commerce in China

MARK CLAYTON

British Chamber of Commerce South China



PAUL SIVES

British Chamber of Commerce Southwest China

2 'China holds international fair to boost investment, trade', The State Council The People's Republic of China, September 2025

3 'UK, the guest country of honour at 8th WCIFIT, looks to boost two-way investment', ECNS, May 2026

4 'Report on the Work of the Government (2026) (2026年国务院政府工作报告)', State Council of the People's Republic of China, March 2026

CONTENTS

EXECUTIVE SUMMARY

BUILDING A MORE PRACTICAL UK-CHINA ECONOMIC RELATIONSHIP

The Prime Minister's visit to China marked an important moment in the UK-China economic relationship and reinforced confidence in a more commercially focused phase of engagement. Building on growing government dialogue around business issues, the visit strengthened confidence that existing mechanisms could move more quickly and deliver more meaningful outcomes for companies operating in both markets. Alongside senior executives, the inclusion of representatives from creative sectors also reflected growing recognition that the relationship is extending beyond trade and investment towards services, creativity and wider people-to-people exchange.

Renewed ministerial engagement has already begun translating into more structured channels for cooperation. Businesses have welcomed the development of working groups and technical exchanges, including on trade-in-services and export controls, which many view as valuable forums for discussing policy developments and their practical implications for business. For many companies, this has mattered less as a political reset and more as the rebuilding of institutional relationships capable of addressing operational challenges.

This renewed engagement comes at a time when China's evolving economic priorities overlap with areas of British strength, creating new opportunities for investment and collaboration. Geopolitical and supply chain tensions have led many companies globally to reassess China's role within international operations, yet many British companies continue to deepen investment in the country, reflecting confidence in China as a market where innovation can be developed, tested and scaled quickly. The challenge for both governments is now to ensure that political engagement translates into practical outcomes that support investment, encourage collaboration and reduce barriers to growth.

CHINA'S NEXT PHASE OF DEVELOPMENT ALIGNS MORE CLOSELY WITH THE UK INDUSTRIAL STRATEGY

The UK is approaching two years into its 10-year *Industrial Strategy*, while China has now published its *15th Five-Year Plan* setting out the country's priorities for the next phase of development. The two documents point to growing overlap in sectors central to long-term competitiveness, including life sciences, advanced manufacturing, clean energy and industrial innovation.

This comes at a time when British companies are already using China to support growth in these areas. In life sciences, companies are engaging with China's rapidly developing innovation ecosystem. In advanced manufacturing, companies continue to invest in local capability to improve efficiencies through automation and new technology. China's development in renewable energy is also creating opportunities for British companies looking to increase sustainability in their manufacturing as well as those investing in areas such as hydrogen, sustainable aviation fuel and industrial decarbonisation.

This creates important implications for the UK. If the industrial strategy is to support long-term British competitiveness, it needs to reflect how companies are actually operating in global markets. For many companies, China remains part of how new technologies are developed, tested and scaled. At the same time, businesses continue to adapt to a complex operating environment shaped by economic security concerns. Engagement with China therefore needs to be treated as part of the UK's industrial growth agenda, alongside the need to manage risk, protect strategic capabilities and support diversification where necessary.

THE UK SERVICES ECONOMY IS INCREASINGLY WELL PLACED TO SUPPORT CHINA'S GLOBAL AMBITIONS

The clearest opportunity for deeper UK-China economic cooperation increasingly lies in services. As Chinese companies expand internationally, scale advanced technologies and move further up the value chain, the need for legal, financial and professional expertise becomes clearer. For a predominantly services-led economy such as the UK, this creates a clear clear area where British economic strengths complement China's international ambitions.

As Chinese companies establish more complex international operations, demand is growing for integrated legal assistance across jurisdictions with end-to-end support, something that British companies are well equipped to provide. Chinese companies' shift towards building overseas operations is creating demand for expertise in financing and risk management, all of which can be supported by UK financial services companies. Business advisory companies are also helping companies navigate unfamiliar markets, and manage cultural and regulatory differences to build more collaborative relationships overseas.

Stronger practical cooperation can help unlock more of this opportunity. Greater engagement between regulators, standards bodies, qualifications providers and industry can support workforce capability, improve international readiness and help Chinese companies navigate overseas markets more effectively.

TACKLING STRUCTURAL BARRIERS CAN UNLOCK A MORE BALANCED ECONOMIC RELATIONSHIP

Renewed engagement has already helped build confidence where dialogue has translated into practical outcomes. The reduction of whisky tariffs, removal of caps on attendance for sporting events and clearer approaches to cross-border automotive data have demonstrated how sustained dialogue can produce positive outcomes for British companies. Businesses broadly welcome greater pragmatism where reforms reflect operational realities.

Yet for many companies, the key challenge remains how new policies are introduced and implemented. Differences in local interpretation, uneven communication and uncertainty surrounding approvals continue to shape investment decisions and increase operational costs across sectors where UK expertise aligns closely with China's priorities. Businesses frequently report that clearer implementation, greater predictability and more consistent operating conditions would often unlock investment more quickly than major policy announcements.

Making better use of newly restored dialogue mechanisms will therefore be important. Working groups, technical exchanges and practical regulatory cooperation provide opportunities to address barriers in a more focused way. Continued progress in this area would support long-term confidence, strengthen cooperation in sectors of mutual benefit and contribute to a more practical and balanced UK-China economic relationship.

Recommendations:

- Continue expanding practical UK-China engagement through bilateral forums, technical dialogue and working groups, with a greater focus on solution-oriented discussions around operational business challenges and implementation issues;
- Improve transparency, predictability and consistency in the implementation of policy, ensuring reforms are communicated clearly on areas such as consumption tax;
- Deepen cooperation in areas where China's *15th Five-Year Plan* and the UK *Industrial Strategy* align, particularly in innovation, industrial upgrading, clean energy and life sciences, to support long-term competitiveness and investment;
- Facilitate the international expansion of Chinese companies through deeper cooperation with British financial, professional and business services, alongside stronger engagement on standards, qualifications and international market readiness;
- Support greater flexibility and resilience in international supply chains during periods of trade disruption, including clearer approaches to localisation, cross-border operations and practical cooperation helping businesses adapt to changing global conditions.

AT A GLANCE: INDUSTRY REPORTS

ADVANCED MANUFACTURING AND TRANSPORT

SUB-SECTORS

Aerospace | Automotive | Logistics | Manufacturing | Transport

OUR POSITION

- Strengthen regional R&D and innovation environments for advanced manufacturing
- Ensure consistent implementation of cross-border automotive data rules
- Ensure predictable implementation of luxury vehicle consumption tax reforms

CREATIVE SECTOR

SUB-SECTORS

Publishing | Music and Arts | Sports

OUR POSITION

- Strengthen intellectual property protection regulation and address copyright infringement
- Remove the 10% VAT on subscription services for academic publishers
- Promote wider recognition of different qualification types across the creative sector
- Promote alignment between UK and Chinese standards and licensing for cultural and creative qualifications
- Review tax withholding treatment of international sports partnerships
- Invest in grassroots sports development and foster sporting culture

EDUCATION

SUB-SECTORS

Qualifications | Higher Education | K12 and Early Years Education

OUR POSITION

- Promote mutual recognition of international professional qualification certification systems
- Optimise market access environment for holistic education
- Enhance clarity on the implementation of negative list provisions for foreign educational examinations
- Promote recognition of UK online and blended degrees
- Allow work permit extensions for experienced foreign teachers up to age 65

ENERGY

OUR POSITION

- Clarify relevant laws, regulations, and incentive mechanisms for carbon capture and storage (CCUS/CCS)
- Adjust market access and incentive mechanisms for the electric vehicle (EV) charging market
- Improve carbon market coverage, participant diversity, and trading mechanisms
- Promote energy sector alignment and international mutual recognition of green and low-carbon standards
- Support sustainable aviation fuel and hydrogen infrastructure development

FINANCIAL SERVICES

OUR POSITION

- Optimise corporate annuity license management to promote diversified participation in pension finance
- Expand outbound investment quota (QDII/QDLP Quota)
- Clarify the definition of 'important data' to reduce uncertainty in cross-border data compliance
- Optimise cross-border capital pooling arrangements to enhance cross-border capital flow facilitation
- Promote diversified opening of financial products
- Further international alignment on green financing

FOOD AND BEVERAGE

SUB-SECTORS

Food and Beverage | Agriculture

OUR POSITION

- Effectively implement lot code protection
- Support effective implementation of consumption tax reform through industry consultation
- Address customs and regulatory challenges affecting pork imports

HEALTHCARE

SUB-SECTORS

Healthcare Services | Over-the-counter (OTC) Medicines | Pharmaceuticals | Medical Devices

OUR POSITION

- Accelerate access and approvals for innovative medicines and medical devices
- Develop commercial health insurance and innovative payment frameworks
- Support predictable frameworks for local manufacturing investment
- Reform OTC packaging and labelling frameworks to support self-care and consumer healthcare development
- Strengthen pharmaceutical intellectual property protection frameworks
- Support development of electronic labelling and instructions frameworks for healthcare products
- Expand access to adult immunisation
- Support integrated comorbidity management for chronic diseases
- Improve rare disease treatment access and reimbursement frameworks
- Support clearer implementation frameworks for cell therapy and radiopharmaceutical innovation
- Support fair and predictable procurement frameworks for medical devices
- Improve alignment of medical device classification frameworks with international risk-based practice

LEGAL SERVICES

OUR POSITION

- Streamline the approval process for appointing new representatives
- Continue to advance the joint law office model in the Shanghai Free Trade Zone
- Eliminate the unfair tax treatment of foreign law firms by allowing them to structure as partnerships
- Permit foreign law firms to practise Chinese law on a trial basis in non-sensitive areas
- Permit foreign law firms to participate in government meetings with their clients
- Allow foreign lawyers and trainees to use business visas for secondments in China offices


亚朵酒店

CROSS-SECTOR CHALLENGES

REGULATORY TRANSPARENCY AND ENFORCEMENT OF LEGISLATION

OVERVIEW

Last year's *British Business in China: Sentiment Survey 2025–2026* saw transparency of the business environment rise to rank as the largest cross-sector regulatory challenge for overall British businesses in China for the first time.[1] It was also a top regulatory issue for energy, education, sport, and creative respondents, whilst ranking second in financial services and business advisory services.

Long-standing challenges remain regarding regulations and policies that are introduced with neither notice or clear communication over compliance, with some enforced differently in separate regions. This breadth reflects a lingering gap between policy intent and actual implementation, which raises compliance costs and delays investment decisions.

This challenge intersects directly with the UK–China bilateral agenda. Companies have noted that high-level government-to-government engagement, including the resumption of the Economic and Financial Dialogue (EFD) and the Joint Economic Trade Committee (JETCO) in 2025, has created welcome momentum, particularly when paired with smaller and more technical dialogues. Structured, consistent consultation between regulators and businesses, at both national and local levels, remain essential if this momentum is to produce lasting improvements in regulatory transparency.

TRANSPARENCY IN REGULATORY APPROVAL PROCESSES

British businesses continue to face slow, opaque, and unpredictable approval, licensing, filing, and compliance processes; the Chamber's *British Business in China: Sentiment Survey 2025-2026* reflects this as its top regulatory challenge.[2]

This problem appears in different forms across sectors: legal services firms report long waits and limited visibility when appointing new representatives, financial services firms face uncertainty created by the broad and unclear definition of 'important data' and by fragmented rules affecting cross-border payment, whilst education and creative companies often have to engage with several authorities at once without published timelines, clear criteria, or reliable feedback.

Publishing standard processing timelines and issuing more precise definitions for key compliance concepts would also be a welcome change. A more transparent approval framework would help businesses assess risk earlier, allocate capital more efficiently, and bring products, services, and investment plans to market with greater confidence, while also reducing unnecessary administrative pressure on regulators by lowering repeat enquiries, inconsistent interpretation, and avoidable disputes. Such a transformation would project an image of a reliable Chinese policy environment to international investors, strengthening market confidence.

Recommendations:

- Publish clear timelines, criteria, and documentation requirements for approvals, licences, and regulatory filings;
- Provide regular written updates on application status, delays, and decisions;
- Clarify key compliance concepts through official guidance and sector-appropriate definitions;
- Introduce reasonable transition periods for new regulatory and compliance requirements.

1 'British Business in China: Sentiment Survey 2025-2026,' British Chamber of Commerce in China, December 2025

2 Ibid.

DIALOGUE BETWEEN REGULATORS AND INDUSTRY

A persistent driver of regulatory opacity has been the limited, and often ad hoc, nature of business-regulator engagement. British companies report receiving insufficiently advanced notice of regulatory changes and insufficient channels through which to seek clarification of these changes, with few formal mechanisms by which feedback may be provided.

The resolution of whisky tariff and progress on lot code issues in the FBA sector following the Prime Minister's January 2026 visit, alongside improved regulatory communication across financial and legal services after the resumption of the EFD and JETCO, demonstrates what structured engagement can achieve. The recent expansion of bilateral working groups is particularly encouraging, including the UK-China Financial Working Group and the UK-China Export Control Working Group.[3 4 5]

These forums provide British businesses with direct and structured channels through which to communicate operational challenges to Chinese government counterparts, receive authoritative guidance on policy implementation, and contribute practical feedback in advance of regulatory decisions. The Chamber strongly supports the continued development of these bilateral working mechanisms and urges their expansion and institutionalisation across a wider range of sectors and regulatory issues. Embedding such engagement as a permanent structural feature, rather than relying on event-driven interaction, would help ensure that regulatory changes are practical, consistently understood, and effectively implemented from the outset.

Recommendations:

- Expand regular consultation with licensed foreign chambers of commerce and industry representatives;
- Institutionalise working-level dialogue mechanisms to address implementation issues in a timely way.

3 'Prime Minister visit to China: trade and investment factsheet,' GOV.UK, January 2026

4 'First UK-China Financial Working Group Joint Readout,' GOV.UK, September 2025

5 'The 14th meeting of China-UK Joint Economic and Trade Commission Held,' MOFCOM, September 2025

CONSISTENCY OF ENFORCEMENT ACROSS REGIONS AND AUTHORITIES

A lack of uniform interpretation of national regulations, varying across provinces, cities, ports, and development zones, increases costs for businesses, and weakens investor confidence. This is visible in customs-facing sectors, such as Food, Beverage and Agriculture (FBA) and Advanced Manufacturing Technology (AMT), where companies report differing border requirements; in AMT, where firms face uneven local interpretations and varying support across development zones; and in the energy sector, where fragmented local standards and unclear regulation in new areas such as charging infrastructure and carbon-market arrangements create uncertainty for companies operating across multiple regions.

In many cases, this divergence is tied to varying levels of implementation capacity. As China expands its network of Free Trade Zones (FTZs) and local authorities actively work to attract foreign investment, some jurisdictions may lack the institutional experience, administrative capacity, or specialist expertise needed to fully support complex international business operations. This disparity can lead to slow and inconsistent support for businesses invested there.

Building on existing regulatory reforms, further measures could strengthen central-local coordination to ensure national policies are applied uniformly nationwide. Greater uniformity and consistency reduces operating costs as compliance systems become easier to operate, which incentivises investment. As investors gain confidence, national policy gains credibility, attracting more investment and growth.

Recommendations:

- Issue clear national implementation guidance to support consistent local enforcement;
- Strengthen coordination between central and local authorities to reduce divergent interpretations;
- Build administrative capacity in newer development zones;
- Establish formal escalation channels for businesses facing inconsistent local enforcement.

INTELLECTUAL PROPERTY PROTECTION

OVERVIEW

After re-emerging as a top issue for British companies 12 months ago, intellectual property protection rose to become the second largest regulatory challenge for British business in China in the Chamber's latest *Sentiment Survey*.[1] This reflects the growing importance of intangible assets across the economy as companies increasingly compete through technology, brands, proprietary data, research and creative content rather than manufacturing alone.

China has continued to strengthen elements of its intellectual property framework over the past year, including revisions to patent examination guidance, the publication of draft healthcare-related data protection measures and growing judicial experience in complex technology disputes.[2] [3] [4] These developments have been welcomed by businesses and reflect China's continued ambition to support higher-value, innovation-led growth. However, new questions concerning ownership, infringement risk, and legal liability arise as the rapid development of artificial intelligence (AI) reshapes how companies create, commercialise and protect intellectual property.

As companies become more reliant on proprietary technology, content and data to remain competitive, effective intellectual property protection is increasingly important to sustaining long-term investment and encouraging continued innovation. Predictable frameworks that reward companies for investing in new technologies, products and creative content will become increasingly important as China seeks to move further up the value chain and support more innovation-led growth.

1 'British Business in China: Sentiment Survey 2025-2026,' British Chamber of Commerce in China, December 2025

2 'Notice of the Supreme People's Court on the Publication of the 47th Batch of Guiding Cases (最高人民法院关于发布第47批指导性案例的通知)', Intellectual Property Court of the Supreme People's Court , September 2025

3 'Drug Clinical Trial Data Protection Implementation Measures (Draft)', National Medical Protection Administration, March 2025

4 'Interpretation of the Revised Content of the Patent Examination Guidelines (专利审查指南)', China National Intellectual Property Administration, December 2025

STRENGTHENING INTELLECTUAL PROPERTY PROTECTIONS FOR AI AND DIGITAL INNOVATION

Businesses increasingly report uncertainty surrounding ownership of AI-generated content, authorised use of copyrighted materials in model training, and legal responsibility where AI systems reproduce protected content, data or creative works without permission. As firms integrate AI more deeply into products, services and internal processes, intellectual property considerations are becoming increasingly commercially significant.

With businesses investing more heavily in innovation to remain competitive in China, clearer intellectual property protection becomes increasingly important to ensuring that investment is rewarded. Amongst others, companies in the publishing, sports analytics, and digital information sectors report growing concern over unauthorised AI-enabled replication and commercial reuse of copyrighted material and proprietary datasets. Though significant resources are being invested into creating premium content, this investment may wane as uncertainty over AI use grows.

These issues increasingly affect Chinese and international firms alike. As Chinese companies expand investment in healthcare, software, publishing and advanced technologies, demand for stronger protection surrounding proprietary data, copyrighted material and technology ownership is also expected to grow domestically. Effective protection of intellectual property rights is critical to sustaining investment in innovation by protecting the value of those investments.

At the same time, legal interpretation and enforcement continue to evolve. Courts and regulators are increasingly being asked to assess responsibility for AI-related infringement, including where content is generated using prompts, third-party material or proprietary datasets. Companies report growing uncertainty surrounding how responsibility will be allocated between platforms, developers, users and commercial operators, particularly where AI-related disputes extend beyond traditional copyright and patent issues into areas such as competition, consumer protection and data governance. Continued dialogue between industry and regulators will therefore remain important as China's AI governance framework matures.

TRADEMARK PROTECTION AND IMPLEMENTATION CHALLENGES

Alongside emerging AI-related concerns, businesses continue to report practical challenges securing trademark protection in China. Companies describe increasing difficulty obtaining trademark registrations, citing broader interpretation of absolute ground (such as non-distinctiveness, misleading and negative social impact) for refusals and growing administrative burdens linked to review and appeal procedures. Delays and uncertainty surrounding registration can create commercial risks for firms launching products, investing in localisation or building trusted consumer brands.

While higher examination standards may reflect efforts to improve trademark governance and reduce misuse, greater predictability and consistency in implementation would help reduce costs and strengthen business confidence. Companies note that trademark protection remains fundamental to long-term investment decisions across sectors where brand integrity, consumer trust and premium positioning are commercially critical.

Intellectual property strategy is also becoming increasingly international. As Chinese firms expand overseas and strengthen brand and patent capabilities, businesses report growing attention to patent strategy, infringement risk and competitor filings linked to China. Intellectual property disputes are increasingly crossing jurisdictions, particularly in sectors such as healthcare, telecommunications and advanced technologies, reinforcing the importance of predictable protections and early risk management.

ADVANCING INTELLECTUAL PROPERTY PROTECTIONS IN HEALTHCARE INNOVATION

Healthcare remains an area where specialised and predictable intellectual property protections are particularly important to supporting long-term investment and patient access to innovative medicines. China has taken constructive steps over the past year, including the release of the *Drug Clinical Trial Data Protection Implementation Measures*, which has been welcomed as a positive signal of continued support for healthcare innovation. [5]

Clear frameworks for regulatory data protection, patent term compensation and market exclusivity remain important in supporting research investment and accelerating patient access to clinically valuable therapies. International experience suggests predictable protections can encourage earlier launches of innovative medicines, strengthen

5 'Drug Clinical Trial Data Protection Implementation Measures (Draft)', National Medical Protection Administration, March 2025

incentives for research and improve patient access to world-leading treatments. Continued implementation clarity, alongside equal treatment between imported and domestic innovative medicines, would further strengthen confidence in China's healthcare innovation environment.

The Chamber welcomes continued dialogue between regulators and industry on healthcare intellectual property frameworks and encourages further progress towards internationally aligned and predictable systems supporting long-term healthcare innovation, patient access and investment confidence.

Recommendations

- Continue strengthening legal clarity surrounding AI-related intellectual property, including ownership, authorised use of copyrighted materials and liability linked to AI-generated output;
- Improve enforcement mechanisms addressing unauthorised scraping, replication and commercial use of proprietary datasets and copyrighted content;
- Strengthen dialogue between regulators, courts and industry to improve consistency and understanding surrounding AI-related intellectual property disputes;
- Improve predictability and consistency of trademark examination and review procedures to reduce unnecessary administrative burdens on rights holders;
- Accelerate implementation of the *Drug Clinical Trial Data Protection Implementation Measures* and continue clarifying regulatory data protection frameworks for innovative medicines;
- Ensure equal treatment between imported and domestic innovative medicines within healthcare-related intellectual property and market protection frameworks.

DATA GOVERNANCE, CYBERSECURITY AND ARTIFICIAL INTELLIGENCE

OVERVIEW

China's rapid adoption of artificial intelligence and digital technologies is reshaping how businesses operate. Across sectors, British companies increasingly view AI adoption as necessary to remaining competitive rather than merely an optional future investment. In many industries, the speed of change is forcing firms to move more quickly, particularly where productivity, decision-making and operational efficiency increasingly shape commercial performance.

China's AI industry is also developing at exceptional speed with strong policy backing. The *2026 Government Work Report* included 'AI + Industry' for the third consecutive year and upgraded the policy language from 'develop' to 'deepen and expand,' signalling a stronger focus on industrial integration and the development of new smart economy models.[1] Supported by priorities linked to the *15th Five-Year Plan* and 'new quality productive forces,' China's AI market is expected to reach RMB 1.7 trillion by 2035.[2] [3]

Cybersecurity and data governance remain important within this environment, although business perceptions have shifted. According to the Chamber's *British Business in China: Sentiment Survey 2025-2026*, cybersecurity and data-related issues fell from the largest regulatory concern in earlier years to the fifth most significant issue reported by companies.[4] This reflects progress, but not necessarily resolution; firms report having invested considerable time and capital into adapting systems, compliance, and adjusting operations to meet evolving requirements as other business pressures become more immediate.

Important progress has nevertheless taken place over the past year. Greater clarity surrounding data governance in areas such as financial services has been welcomed, while the release of the *2026 Security Guide on the Cross-Border Flow of Automotive Data* has been viewed as a constructive step towards resolving a long-standing operational issue for manufacturers.[5] Published after completion of the Chamber's *Sentiment Survey*, the automotive guidance has strengthened confidence that more practical and sector-specific approaches can improve certainty for businesses while supporting legitimate security objectives.[6]

China has also continued developing its AI governance framework. The current approach combines strong support for innovation with an emphasis on security and oversight. Regulatory systems covering generative AI, deep synthesis technologies and algorithm management are now in place, while standardisation efforts continue accelerating, including through the establishment of the WG9 AI Security Working Group under *TC260*.[7]

ENABLING AI ADOPTION AND DIGITAL COMPETITIVENESS

Artificial intelligence is increasingly moving from experimentation into day-to-day business activity. This has put pressure on companies to adopt AI tools more quickly as competitors move at speed and expectations around productivity continue to rise. For many firms, the question is no longer whether to use AI, but where it can add practical value and how quickly systems can be implemented in ways that support commercial performance.

1 Report on the Work of the Government (2026) (2026年国务院政府工作报告), State Council of the People's Republic of China, March 2026

2 'China's Fifteenth Five-Year Plan (中华人民共和国国民经济和社会发展第十五个五年规划纲要), The State Council The People's Republic of China, March 2026

3 'AI prowess redefining business niches', People's Daily Online, March 2026

4 'British Business in China: Sentiment Survey 2025-2026,' British Chamber of Commerce in China, December 2025

5 China releases security guide on cross-border automobile data transfer,' the State Council of the People's Republic of China, February 2026

6 'British Business in China: Sentiment Survey 2025-2026,' British Chamber of Commerce in China, December 2025

7 Cybersecurity Standardisation Work Monthly Report (《网络安全标准化工作月报》2026年3月), National Cybersecurity Standardisation Technical Committee (全国网络安全标准化技术委员会 / SAC TC260), March 2026

This has become particularly visible in advanced manufacturing, where competition remains intense and margins are under pressure. Companies are increasingly using AI to improve planning, reduce downtime and strengthen visibility across more complex operations. The pace of adoption in China has reinforced the sense that firms must move quickly to remain competitive, particularly as manufacturers seek to improve quality, shorten development cycles and respond more rapidly to changing demand. Businesses increasingly note that China's scale and speed of implementation are shaping how they think about productivity and innovation across global operations.

Legal and professional services firms are also seeing rapid uptake. Companies increasingly report using AI to support internal knowledge management, legal review and regulatory analysis, helping teams process information more efficiently and reduce time spent on routine tasks. In more regulated sectors, adoption remains careful and measured, particularly where decisions rely on sensitive data or professional judgement. Even so, companies increasingly view AI less as a stand-alone technology project and more as a tool that can improve how work is done in practice.

UK enterprises operating in sectors such as publishing, research and scientific information increasingly emphasise the importance of legal, traceable and transparent training data. Many firms note that sustainable AI innovation depends on strong intellectual property protection, reliable data governance and confidence that investments in content, knowledge and research will continue to be appropriately recognised and protected.

SUPPORTING PRACTICAL DATA GOVERNANCE AND CROSS-BORDER OPERATIONS

As companies adopt AI more widely and rely on increasingly integrated digital systems, practical approaches to cybersecurity and data governance remain essential to business confidence. For many firms, cross-border data flows support day-to-day operations rather than abstract technical functions. Product development, financial reporting and coordination with global systems increasingly depend on the ability to move information securely and predictably between jurisdictions. Businesses broadly recognise China's focus on data security and understand the rationale for stronger governance in a more digital economy.

Companies nevertheless report that implementation matters greatly in practice. In financial services, firms have welcomed greater clarity surrounding compliance pathways and a more pragmatic approach to data governance, helping reduce uncertainty around international operations. Automotive manufacturers have responded similarly to the *2026 Security Guide on the Cross-Border Flow of Automotive Data*, which has been viewed as a constructive and commercially practical response to a long-standing operational challenge. Clearer procedures in these areas have strengthened confidence that legitimate business needs and data security objectives can be balanced effectively.

Questions remain in areas where requirements continue to evolve or implementation is less predictable. Some businesses report uncertainty surrounding data classification, internal compliance expectations and the practical movement of information between China and global systems. In some cases, firms have adapted by duplicating systems or localising parts of digital infrastructure, increasing costs and complexity. As AI tools become more embedded in business activity, clearer implementation and more practical guidance will become increasingly important in helping companies adopt technology confidently while remaining fully compliant with China's cybersecurity and data governance requirements.

Market access has also become an increasingly important issue for foreign-invested enterprises operating in the AI sector. As of February 2026, approximately 346 generative AI services had completed official filings in China, yet none were from foreign-invested enterprises.[8] Businesses continue to support China's efforts to establish clear governance frameworks for emerging technologies, but also place growing importance on transparent filing procedures, equal market access and predictable regulatory implementation.

RESPONSIBLE AI GOVERNANCE AND BUSINESS CONFIDENCE

China's rapid implementation and commercial use of artificial intelligence create an opportunity to shape practical approaches to AI governance. Few markets are deploying AI at comparable speed or scale across business activity, giving China an important role in influencing how governance frameworks develop in practice. As adoption accelerates, clearer expectations around deployment and responsible use will increasingly shape business confidence and investment decisions. Companies broadly support efforts to improve oversight but place growing importance on approaches that remain practical and commercially workable.

This is becoming more relevant as AI moves into areas involving professional judgement, trusted information and intellectual property. In publishing and content industries, businesses continue to raise questions surrounding the treatment of copyrighted material as AI systems evolve. In healthcare and other regulated areas, firms place growing importance on clarity around how AI can support decision-making while maintaining confidence in quality and professional oversight. As deployment expands, companies increasingly seek clearer expectations around where boundaries sit and how systems can be used responsibly in practice.

Trusted and sustainable AI ecosystems depend on effective copyright protection that recognises and fairly compensates creators, rights holders and organisations investing in the creation, curation and dissemination of knowledge.

Greater transparency surrounding AI systems, including the provenance and use of training content, is also becoming increasingly important to business confidence. Clearer expectations around transparency can strengthen accountability, improve trust and support the responsible deployment of AI technologies across sectors.

China's pace of implementation also creates an opportunity to take a more proactive role in shaping standards and governance approaches in emerging areas of technology. Businesses increasingly see value in open dialogue between regulators and industry as systems evolve, particularly where rapid deployment can reveal practical challenges earlier. Clear and workable approaches to governance can help sustain investment, encourage responsible innovation and strengthen confidence as companies continue embedding AI into day-to-day operations.

Recommendations:

- Continue strengthening practical implementation guidance supporting secure and compliant use of artificial intelligence across sectors;
- Build on recent progress in financial services and automotive data governance to improve operational clarity surrounding legitimate cross-border data flows;
- Improve consistency and predictability surrounding AI filling procedures, cybersecurity and data compliance procedures across sectors and regions;
- Strengthen dialogue and establish regular communication mechanisms between regulators and industry on practical implementation challenges linked to AI, cybersecurity and cross-border digital operations;
- Ensure governance frameworks remain clear and operationally workable as companies continue investing in digital technologies and AI adoption;
- Ensure foreign-invested enterprises can participate in China's AI development under clear and commercially workable market access conditions;
- Strengthen intellectual property and copyright protections supporting trusted and sustainable AI innovation ecosystems.

8 '346 generative AI services filed with Cyberspace Administration of China', The State Council Information Office The People's Republic of China, April 2025

SUPPLY CHAIN VOLATILITY

OVERVIEW

Global trade disruption, tariff volatility and growing geopolitical competition continue to reshape how British companies manage supply chains in China. Many businesses increasingly describe these networks less as traditional supply chains and more as interconnected 'supply webs', reflecting the reality that disruption in one market or production node can quickly affect operations elsewhere. Since tariffs imposed on the UK and China in April 2025 increased uncertainty for international business, the Chamber has sought to better understand how British firms are responding. Findings in this chapter draw on both the *2025–26 Business Sentiment Survey* and a dedicated *Supply Chain Resilience Report* produced by the British Chamber of Commerce in South China, combining survey responses, roundtables and company site visits to provide a clearer picture of how manufacturers are adapting.[1] [2]

The evidence points to a more resilient picture than is often assumed. Despite rising costs and growing geopolitical pressure, British companies are more likely to be maintaining or expanding manufacturing in China than reducing it, with very few exiting the market entirely. The Chamber's *Sentiment Survey* received responses from 68 companies manufacturing in China, while the South China report drew on 50 survey responses, three roundtables and several company visits. More than 80% of companies surveyed in the South China report indicated that they intend to maintain or expand investment in China over the next three years.[3]

For many companies, particularly manufacturers with established operations, shifting supply chains is neither commercially straightforward nor financially viable. Long-standing supplier relationships, manufacturing capability and the speed at which goods can be produced continue to make China difficult to replace. Many firms continue to use China-based supply chains to support international operations and exports, while localised production has become increasingly important in responding to market demand and managing cost pressures.[4]

This does not mean supply chains are unchanged or that businesses are standing still. Larger firms and businesses operating in more sensitive sectors are increasingly diversifying production by adding capacity in other markets, although this often complements rather than replaces operations in China, reflecting a model of managed interdependence rather than decoupling. For many SMEs, the cost of doing so remains prohibitive. Faced with continued tariff volatility and uncertainty, many companies report monitoring developments, strengthening contingency planning and building greater supply chain optionality rather than making immediate structural changes. More than half of affected firms in the *Sentiment Survey* reported that they had not changed their China supply chains following the introduction of tariffs in April 2025.For many businesses, future uncertainty now presents a greater challenge than compliance costs themselves. When asked about the biggest obstacle to supply chain resilience, 46% of companies cited uncertainty surrounding future developments, compared with 34% identifying the cost of change. Businesses continue to call for stronger market intelligence, clearer policy information and greater opportunities to connect with trusted partners as they adapt to an increasingly volatile trading environment.[5] [6]

PREDICTABILITY, TARIFF VOLATILITY AND INVESTMENT CONFIDENCE

For many British companies operating in China, uncertainty rather than cost has become the defining challenge in supply chain planning. Businesses broadly understand that global trade conditions have become more difficult and many have adapted to rising tariffs and changing market conditions. However, frequent shifts in trade policy and uncertainty surrounding future restrictions

1 'British Business in China: Sentiment Survey 2025-2026,' British Chamber of Commerce in China, December 2025

2 'Supply Chain Resilience Survey 2026,' British Chamber of Commerce South China, Spring 2026

3 'Supply Chain Resilience Report', British Chamber of Commerce South China, Spring 2026, p.7

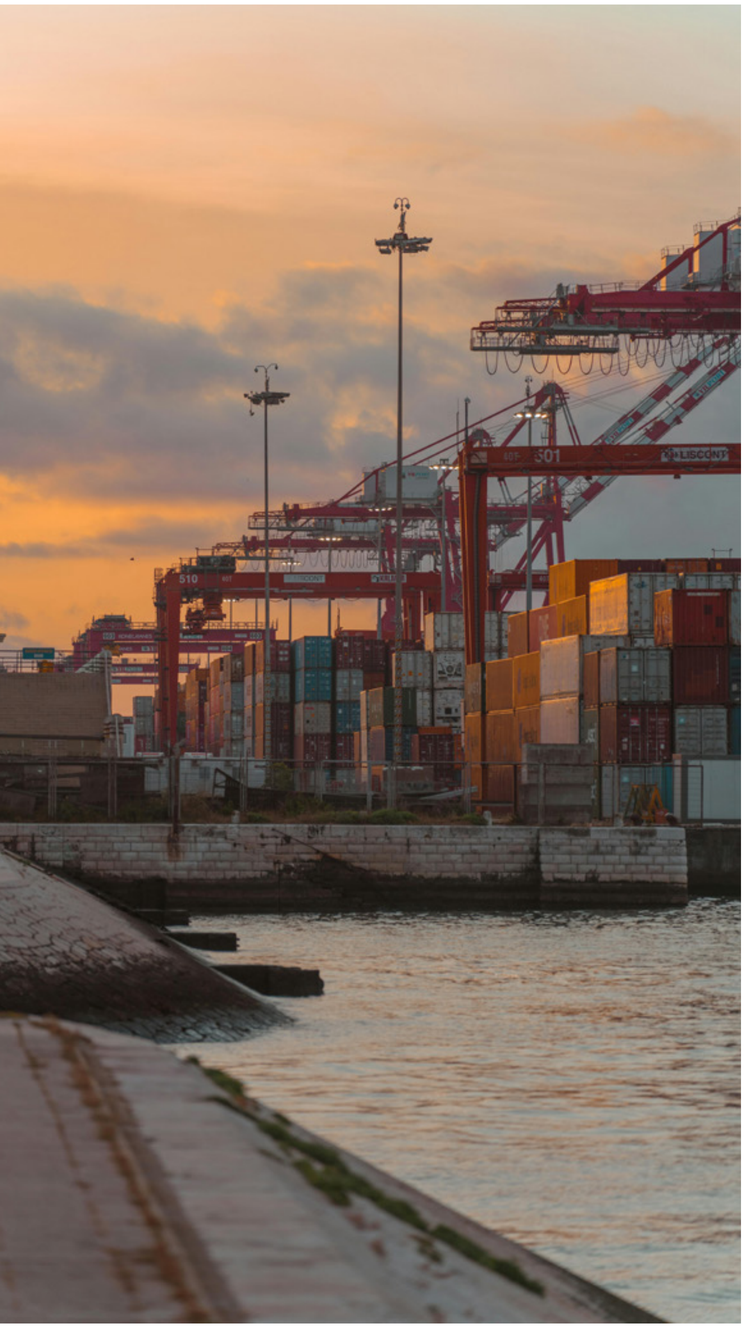
4 'British Business in China: Sentiment Survey 2025-2026,' British Chamber of Commerce in China, December 2025, p.51

5 'Supply Chain Resilience Report', British Chamber of Commerce South China, Spring 2026, p.15

6 'Supply Chain Resilience Report', British Chamber of Commerce South China, Spring 2026, p.27

make longer-term investment decisions more difficult. Manufacturing and sourcing decisions are often made over many years, and companies report that confidence in future operating conditions increasingly shapes whether investment is delayed, redirected or expanded.

Rather than triggering widespread relocation, this uncertainty is changing how companies manage risk. Many firms increasingly view tariff disruption, pandemic preparedness and geopolitical resilience as part of the same broader challenge and are responding through greater contingency planning and supply chain optionality. For businesses that have explored diversification into Southeast Asia or other markets, costs are often reported to be higher, supply chains less mature and dependence on Chinese inputs still significant. In practice, many companies see diversification as a complement to China rather than a replacement for it, particularly where operations have been built over many years and supplier relationships remain deeply embedded.



Evidence from the Chamber's *Supply Chain Resilience Report* reinforces this picture. Only a minority of firms described their supply chains as highly resilient, whilst most reported them as manageable but vulnerable to future disruption. [7] More than anything, businesses emphasised the challenge of unpredictability. As one logistics executive explained during consultations: *"We can absorb a tariff. What we cannot absorb is not knowing whether it will still be there next month."* [8] For many firms, the challenge lies less in responding to individual policy changes than in planning investment when market conditions remain uncertain.

The result is that resources which might otherwise support expansion, technology upgrades or productivity improvements are increasingly directed towards compliance, monitoring and contingency planning. Members consistently report demand for stronger market intelligence, clearer information on policy developments and more opportunities to connect with trusted partners. Better support in these areas would help companies make more informed long-term decisions and redirect capacity towards productive investment.

SUPPORTING LOCALISATION AMID A COMPLEX TARIFF LANDSCAPE

China's push towards industrial upgrading and stronger domestic capability has encouraged many British companies to localise manufacturing, sourcing and research activity in the country. Across several sectors, localisation has increasingly become important to participating in procurement, responding to customer demand and strengthening long-term competitiveness in the market. British firms have responded by investing in local manufacturing and supply chains, meaning more value from products sold in China is increasingly created within the country.

At the same time, localisation rarely means complete supply chain independence. Many manufacturers continue to rely on imported raw materials, specialist equipment and internationally integrated supplier networks to support

7 'Supply Chain Resilience Report', British Chamber of Commerce South China, Spring 2026, p.22

8 'Supply Chain Resilience Report', British Chamber of Commerce South China, Spring 2026, p.8

production. For companies making long-term investments in China, the practical ability to access these inputs remains an important factor in determining whether localisation is commercially viable and internationally competitive.

In pharmaceuticals, for example, companies localising manufacturing continue to rely on certain imported active pharmaceutical ingredients (APIs) where domestic alternatives are unavailable or unsuitable. Additional tariffs on imported APIs can increase production costs and weaken incentives to deepen manufacturing investment in China, particularly as other regional markets continue offering support for localisation. In higher-technology industries, including medical devices and advanced manufacturing, companies also report difficulty accessing specialist components and equipment, particularly where international restrictions affect availability. In some cases, this creates delays, raises costs and makes investment planning more difficult.

For businesses that have already committed to localisation, the challenge is increasingly practical rather than strategic. Companies are investing in China and broadly support efforts to strengthen domestic industrial capability but increasingly emphasise the importance of stable access to necessary inputs and production equipment. Where localisation is encouraged, clearer and more predictable pathways for sourcing internationally necessary materials and components can help strengthen confidence, improve competitiveness and support deeper long-term investment.

SUPPLY CHAIN AND DECARBONISATION

A key finding of our *Supply Chain Resilience Report* is the alignment between restructuring supply chains and companies' decarbonisation goals. Scope 3 emissions (indirect emissions that occur across a company's value chain) can account for more than half of a company's total carbon footprint, with research on supply chain-intensive firms suggesting the share may be substantially higher.[9] But one British advisory firm we surveyed estimated that operational changes alone could reduce supply chain emissions by nearly a third, although many lack the data to pinpoint where waste occurs.

Decarbonisation is emerging as a shared priority for UK and Chinese firms. Respondents in the built environment, energy, professional services and retail sectors all rank it among their top three positive business trends. Across all sectors, assisting Chinese companies in going global was the second most cited growth opportunity in the *Sentiment Survey*. British companies with advisory, engineering and standards expertise are well placed to support that expansion, particularly as Chinese firms navigate more complex international reporting and decarbonisation requirements.

Incoming EU regulation underscores the need for shared best-practice in emissions reporting and decarbonisation. Since January 2026, Chinese exporters to Europe are required to pay the difference between the carbon costs already incurred under Chinese regulations and what those same goods would have cost to produce under EU carbon pricing, under the Carbon Border Adjustment Mechanism (CBAM). Future reporting requirements under the EU Corporate Sustainability Reporting Directive will also increase expectations around sustainability disclosures for larger international firms.[10] British firms are well placed to support Chinese companies responding to these requirements while also reducing the carbon footprint of supply chains.

Evidence shows that UK-China engagement is already benefitting manufacturing firms. 40% of AMT companies say that increased UK-China dialogue has improved conditions for their business in the last year. In the AMT sector, expanding manufacturing for export and establishing new joint ventures are cited as the leading growth opportunities. Deepening these channels would strengthen UK-China partnerships that support lower-carbon supply chains and help companies operate more effectively in international markets.

Recommendations:

- Continue engagement with industry on practical measures supporting supply chain resilience, localisation and long-term investment confidence;
- Support clearer and more predictable implementation of trade, customs and industrial policies affecting manufacturing and sourcing decisions;
- Encourage practical UK-China cooperation supporting lower-carbon supply chains, industrial decarbonisation and international reporting requirements;
- Strengthen dialogue with business on measures supporting supply chain resilience and operational continuity amidst a more uncertain global trading environment.

9 'Scope 3 emissions are key to decarbonization', *World Economic Forum.*

10 'The EU Corporate Sustainability Reporting Directive', Latham and Watkins

STANDARDS RELATED CHALLENGES

STANDARDS AS A DRIVER OF COMPETITIVENESS AND INTERNATIONAL GROWTH

Standards shape how companies invest, compete and bring products and services to market. As China strengthens industrial capacity and moves towards higher-quality growth, standards surrounding certification, reporting, procurement and market access are becoming more commercially important to British companies operating in the market. China's standards system is also expanding quickly, with growing emphasis placed on how standards are developed and implemented across the economy. For businesses, clearer implementation increasingly matters as standards become more closely linked to commercial decision-making.

This matters not only for companies within China, but also Chinese companies seeking to expand. As Chinese companies expand internationally, standards play a larger role in how these firms operate across borders and build trust in overseas markets. Clearer implementation and stronger compatibility with international practice where appropriate can make investment decisions easier and support Chinese companies as they expand overseas. For British companies operating in China, greater predictability can also reduce friction where technical requirements or qualifications shape market access.

Improving UK-China engagement is creating more opportunities to share practical experience in these areas. Over the past year, the Chamber has welcomed UK regulators, standards bodies and professional institutions to China, with strong interest from both British and Chinese businesses. Engagement involving organisations such as National Institute for Health and Care Excellence (NICE) and the Medicines, Healthcare products Regulatory Agency (MHRA) have been particularly well received, helping support dialogue on regulation, implementation and international best practice. As both countries seek to strengthen competitiveness and support long-term growth, businesses see value in practical exchange of this kind.

IMPLEMENTATION AND PREDICTABILITY OF STANDARDS

As standards become more closely linked to market access and investment, businesses place growing importance on how they are implemented in practice. Companies broadly understand China's ambition to strengthen industrial capability and modernise standards systems. At the same time, firms report that implementation timelines, differing local interpretation and limited transition periods can sometimes make adjustment more difficult, particularly where standards change quickly or affect long-term investment decisions. Greater predictability can help companies adapt earlier and invest with more confidence.

This is becoming more relevant in areas where technical requirements increasingly shape commercial activity. In areas such as carbon reporting and sustainability disclosure, businesses welcome clearer expectations and stronger alignment with international practice, particularly where this improves comparability and supports global reporting obligations. Furthermore, companies note that implementation is particularly important where requirements evolve quickly or overlap with obligations in other jurisdictions.

Questions surrounding standards and implementation also increasingly shape investment decisions in more technically regulated areas. In pharmaceuticals and advanced manufacturing, for example, companies report that clearer pathways around testing, approvals and technical requirements can help improve planning and reduce uncertainty for long-term investment. Businesses increasingly see value in earlier dialogue where standards are changing quickly or where practical implementation may affect competitiveness and operational planning.

SUPPORTING INTERNATIONAL EXPANSION THROUGH STANDARDS ALIGNMENT

Adherence to internationally recognised standards and stronger interoperability between systems are becoming more important as business activity becomes more international. For companies operating across markets, standards shape how products are certified, services delivered and trust established with regulators, customers and commercial partners. Stronger compatibility can help international firms operate more easily in China while also supporting Chinese companies as they expand overseas and establish more complex international operations.

This becomes particularly important in areas where international operations rely on trusted professional systems and recognised frameworks. In accountancy and audit, internationally recognised reporting standards and professional qualifications can make it easier for companies to operate across jurisdictions and access international capital markets. In publishing and higher education, stronger understanding of qualifications frameworks and trusted content standards can support international partnerships and workforce development as institutions deepen overseas engagement. Businesses also see practical value in mutual recognition where appropriate, particularly where duplication or uncertainty slows commercial activity.

China is well placed to shape standards in emerging areas rather than simply respond to them. The speed at which new technologies are being adopted creates opportunities to contribute more actively to international discussions on how standards develop and work in practice. Businesses see value in earlier dialogue between regulators, standards bodies and industry to help ensure new approaches remain commercially practical and internationally usable. More open engagement of this kind can support Chinese companies operating overseas while encouraging deeper collaboration and investment.

UK-CHINA STANDARDS COOPERATION

Practical UK-China engagement on standards and regulation is already becoming more established. Over the past year, the Chamber has welcomed UK regulators, standards bodies and professional institutions to China, with strong participation from both British and Chinese businesses. Members consistently report value in dialogue focused on implementation and practical experience, particularly where standards influence market access, approvals or international competitiveness.

Healthcare provides a strong example of how this engagement can support both innovation and investment confidence. Businesses value this kind of exchange not because it seeks to prescribe a single model, but because it provides practical examples of how regulatory systems can support competitiveness while maintaining confidence in quality and safety.

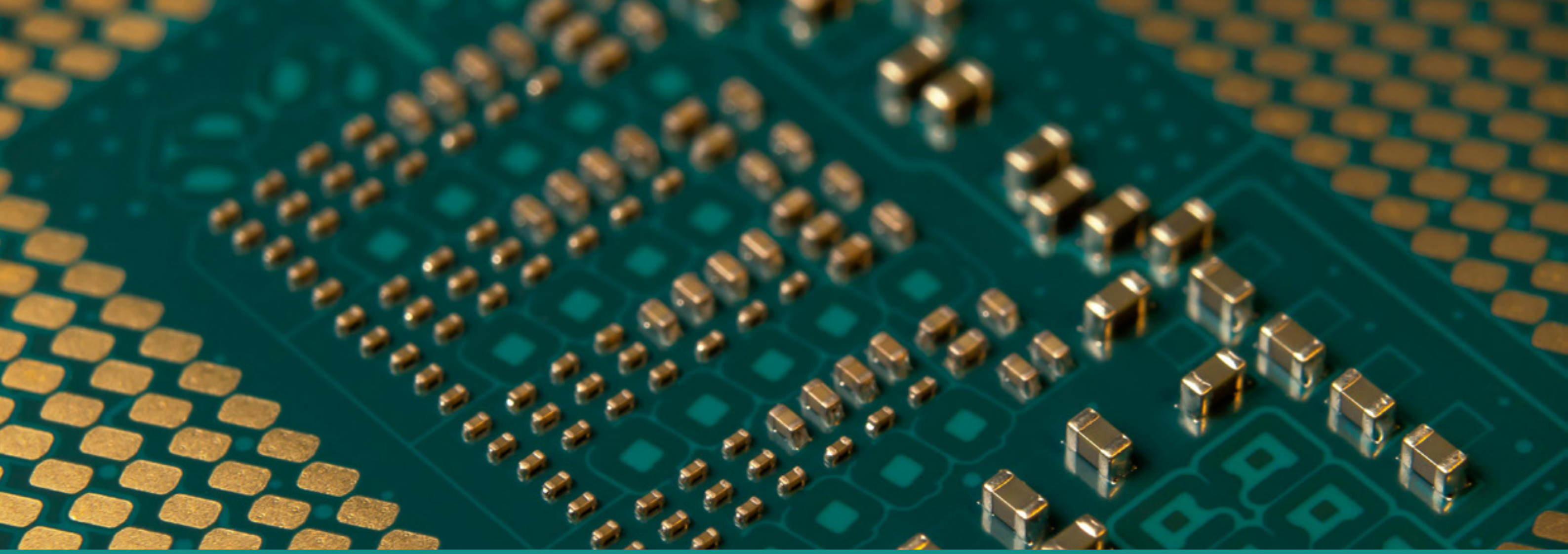
Practical engagement has also supported progress in other areas. In cosmetics, evolving approaches to product testing and reduced reliance on animal testing have been welcomed as a constructive example of how dialogue between regulators, industry and standards bodies can support commercially meaningful outcomes. Businesses see growing value in earlier engagement where standards are evolving quickly or where technical requirements have a direct impact on market access and investment decisions.

As Chinese companies expand internationally and new industries develop at speed, closer cooperation on standards and regulation is likely to become more important. The UK has considerable experience in professional standards, regulatory systems and conformity assessment, while China's pace of industrial upgrading and implementation offers important practical lessons of its own. Businesses increasingly see value in cooperation grounded in practical exchange, where stronger understanding supports competitiveness, investment and international growth on both sides.

Recommendations:

- Continue improving predictability and transparency in the implementation of standards, particularly where technical requirements influence investment, approvals and market access;
- Support stronger interoperability and mutual recognition where appropriate, including in professional qualifications, reporting frameworks and technical standards that facilitate international business activity;
- Encourage earlier dialogue between regulators, standards bodies and industry where standards are evolving quickly or affect long-term investment decisions;
- Expand practical engagement between UK and Chinese regulators, standards bodies and professional institutions to share experience on implementation, regulatory science and commercially workable approaches to standards development;
- Continue supporting business participation in standards-related dialogue to ensure evolving requirements remain practical, internationally usable and supportive of long-term competitiveness.

INDUSTRY REPORTS



ADVANCED MANUFACTURING AND TRANSPORT

SUB-SECTORS

Aerospace

Automotive

Logistics

Manufacturing

Transport

OUR POSITION

1. Strengthen regional R&D and innovation environments for advanced manufacturing
2. Ensure consistent implementation of cross-border automotive data rules
3. Ensure predictable implementation of luxury vehicle consumption tax reforms

STATE OF THE SECTOR

LOOKING BACK

China's advanced manufacturing sector continues to sit at the centre of global supply chain and geopolitical tensions. Tariff escalation in the last year has created additional complexity for British manufacturers operating in China in a market already complicated by export controls and pressure to diversify sourcing. Advanced manufacturing and transport (AMT) companies now report some of the highest levels of supply chain uncertainty in the Chamber's *British Business in China: Sentiment Survey 2025-2026.*[1]

Despite this, British companies continue to view China as vital for global manufacturing strategies. China's manufacturing remains highly competitive on price, speed and quality. At a time when many firms are seeking greater resilience within supply chains, companies also report that cost pressures and intense competition is making diversification financially unviable.

The increase in quality of Chinese manufacturing at a time of intense competition is also seeing British companies using their operations here as a means to pilot new technologies. Technology deployment has become a necessity here to compete, meaning its development is reinforcing China's importance within global manufacturing networks at a time when it should in theory be under pressure.

This has become increasingly visible in western China, particularly in Chengdu where manufacturers in aerospace components and industrial equipment are thriving. Improved logistics and connectivity are strengthening the region's attractiveness for investment and industrial expansion. Fast development is increasing opportunity, but in some places outpacing government, with support varying locally.

China has also taken some constructive steps to improve regulatory clarity in areas affecting manufacturers, including through the *2026 Guidelines on the Cross-Border Flow of Automotive Data.*[2] Companies hope this approach towards clearer and more practical implementation can continue across other parts of the advanced manufacturing sector.

LOOKING FORWARD

To leverage demand for the introduction of new technologies, many are now looking to see how China expands its capability in linking R&D with industry. The UK has developed excellent innovation parks, with many centres of creativity linked to top research institutions.[3] China's growing higher education sector presents new opportunities to drive more creativity in a similar way.

Continued investment will, however, depend on a stable and predictable operating environment. Greater clarity surrounding localisation expectations, export controls and procurement frameworks will remain important as manufacturers make longer-term decisions on supply chains, production and investment.

1 British Business in China: Sentiment Survey 2025-2026,' British Chamber of Commerce in China, December 2025.

2 'China releases security guide on cross-border automobile data transfer,' the State Council of the People's Republic of China, February 2026

3 'Innovation Clusters Map data,' UK.GOV, October 2025

OUR POSITION

OVERALL CHALLENGES

1 STRENGTHEN REGIONAL R&D AND INNOVATION ENVIRONMENTS FOR ADVANCED MANUFACTURING

China's investment in industrial infrastructure has strengthened its manufacturing ecosystem at a time when it is already globally competitive on price, speed and quality. Improved connectivity and industrial clustering are helping support the growth of higher-value manufacturing, whilst continued focus on sustainable industrial development is also attracting investment.

As manufacturing becomes more technology-intensive, competitiveness increasingly depends on strong local innovation environments alongside physical infrastructure. Faster coordination between manufacturers, suppliers, universities and research institutions is becoming more important as companies adopt new technologies. Responsive local administration and well-supported development zones will play an increasingly important role in enabling industrial upgrading.

There is clear progress on this and companies are innovating, but there is an extent to which China can speed this up using best practices from overseas. There are also areas where slower administrative procedures in certain localities has led to companies not being able to introduce new technologies as quickly as needed.

Recommendations:

- Continue strengthening regional R&D and innovation environments supporting higher-value manufacturing and industrial upgrading;
- Improve coordination between local governments, manufacturers, universities and research institutions to support technology commercialisation and sustainable manufacturing;
- Strengthen local implementation capability and administrative support for advanced manufacturing investment and R&D activity;
- Support more consistent interpretation and implementation of manufacturing-related regulations across development zones.

AUTOMOTIVE SECTOR

2 ENSURE CONSISTENT IMPLEMENTATION OF CROSS-BORDER AUTOMOTIVE DATA RULES

British automotive companies have welcomed recent progress on cross-border data regulation, including the release of the *2026 Guidelines on the Cross-Border Flow of Automotive Data*.[4] The guidelines provide greater clarity around compliance requirements and represent a constructive step towards addressing a long-standing challenge for foreign automotive manufacturers operating in China.

Cross-border data flows remain important for companies in vehicle development, safety testing, remote diagnostics, supply chain management and coordination with global headquarters. Greater clarity around operational procedures and compliance requirements can help reduce unnecessary costs and support more efficient global manufacturing and R&D operations.

Companies now hope to see consistent implementation of the new framework across different regions and authorities. Businesses also believe the automotive guidelines could provide a useful model for other advanced manufacturing sectors facing similar operational challenges linked to cross-border industrial data flows.

Recommendations:

- Ensure consistent implementation of the *2026 Automotive Data Guidelines* across regions and regulatory authorities;
- Continue improving operational clarity surrounding cross-border automotive data compliance procedures;
- Consider applying similar sector specific approaches to other advanced manufacturing industries where legitimate cross-border industrial data flows are required for global operations.

3 ENSURE PREDICTABLE IMPLEMENTATION OF LUXURY VEHICLE CONSUMPTION TAX REFORMS

British automotive companies have noted recent changes to China's *luxury vehicle consumption tax* thresholds, including the lowering of the price point at which additional taxes apply to premium vehicles.[5] Given the UK automotive sector's strong presence within the luxury and performance vehicle market, the policy change is expected to have a disproportionate impact on several British manufacturers operating in China.

Whilst companies recognise China's broader policy objectives surrounding consumption tax reform, businesses report that the short implementation timeline has created challenges for pricing, inventory management and sales planning. Predictability and consultation remain particularly important within the premium automotive sector, where operational measures are often planned well in advance.

The changes also come at a time of rapidly expanding Chinese automotive exports into overseas markets, including the UK, which has remained comparatively open to Chinese vehicle imports relative to other major economies. British companies therefore hope future policy adjustments affecting premium imported vehicles can be implemented through clearer transition arrangements and more consistent industry engagement.

Recommendations:

- Strengthen consultation mechanisms with automotive manufacturers and industry groups ahead of significant regulatory adjustments affecting imported vehicles;
- Ensure consumption tax reforms are implemented in a predictable and transparent manner supporting long-term market stability and consumer confidence.

4 'China releases security guide on cross-border automobile data transfer,' the State Council of the People's Republic of China, February 2026

5 'Announcement on Adjusting the Consumption Tax Policy for Ultra-Luxury Cars (关于调整超豪华小汽车消费税政策的公告),' Ministry of Finance & State Taxation Administration July 2025

CREATIVE SECTOR

SUB-SECTORS

Publishing

Music and Arts

Sports

OUR POSITION

1. Strengthen intellectual property protection regulation and address copyright infringement
2. Remove the 10% VAT on subscription services for academic publishers
3. Promote wider recognition of different qualification types across the creative sector
4. Promote alignment between UK and Chinese standards and licensing for cultural and creative qualifications
5. Review tax withholding treatment of international sports partnerships
6. Invest in grassroots sports development and foster sporting culture

STATE OF THE SECTOR

LOOKING BACK

Supportive engagement from the UK government, as well as alignment with China's goal of growing experience consumption, are driving optimism among British creative firms in China.[1]

The inclusion of a large creative sector delegation during Sir Keir Starmer's visit to China in January was a positive moment. Many members represented on the delegation discussed how the inclusion of so many creative leads alongside CEOs of senior businesses contributed to a vibrant atmosphere, improving the overall position of British business.

British publishers are continuing to play an important role in supporting the development of China's higher education system as they look to go global with higher quality Chinese research. At the same time, despite some positive improvements, British and Chinese publishers are facing many of the same challenges in keeping pace with artificial intelligence, particularly around intellectual property protection and fair use of copyrighted content.[2]

UK-China collaboration in sports has also grown in the last year. More milestone events in football and snooker have also returned to China. Wu Yize has followed Zhao Xintong as world champion in snooker and other junior level sporting events are being hosted in China, further growing Chinese fan bases and increasing the profile of Chinese sport in the UK. The removal of capacity caps for live sporting events, a key priority in last year's Position Paper, is also a welcome development.

FUTURE OPPORTUNITIES

China's plan to develop consumption through tourism in its 15th Five-Year Plan creates opportunities for collaboration with British companies in the creative, cultural and sport industries. The rapid development of sports tourism in China in recent years, in particular through the Jiangsu Football League, and increased attendances in the Chinese Super League creates excellent opportunities for growth and collaboration.[3] These are areas where Britain can offer international expertise to support China's domestic growth.

Despite challenges for the publishing sector identified earlier, creative firms responding to the *British Business in China: Business Sentiment Survey 2025-2026* identified AI and technology innovation as the most positive trend for their businesses.[4] Ensuring that AI and digital tools to enhance cultural content delivery rather than harm it will be vital to developing creative industries and encouraging innovation. Deeper exchange between UK and Chinese counterparts in this space would accelerate the development of a more innovative and internationally connected cultural economy.

1 'British Business in China: Sentiment Survey 2025-2026', British Chamber of Commerce in China, December 2025

2 Ibid.

3 'In Jiangsu, an Amateur Football League Scored Big With Tourists', Sixth Tone, June 2025

4 'British Business in China: Sentiment Survey 2025-2026', British Chamber of Commerce in China, December 2025

OUR POSITION

PUBLISHING

1 STRENGTHEN INTELLECTUAL PROPERTY PROTECTION REGULATION AND ADDRESS COPYRIGHT INFRINGEMENT

China's ambition to build a globally competitive publishing and creative sector is emerging alongside AI's transformational effect on how content is created, distributed and consumed. AI technology is being introduced quickly across different sectors in China. Ensuring that regulatory frameworks develop at the same pace could be supported by the UK publishing and creative industries' deep expertise in content protection and rights management.

The Chamber recognises recent China's efforts and achievements in copyright protection. For example, Chinese copyright authorities have collaborated across departments twice in the last two years to block access to a major international pirating website. However, British companies still report unauthorised replications for commercial use of their content, as well as the unauthorised use of their content for training AI models.

On e-commerce platforms, the burden of proving ownership often falls on the rights holder and the enforcement process is costly and time consuming, even in cases where companies ultimately succeed with IP litigation.

Stronger IP enforcement frameworks would support China's ambition to develop a thriving, innovation-led creative economy. Clearer proof-of-ownership guidelines and structured dialogue channels between content creators and e-commerce platforms would further support compliance. Reducing the cost of IP monitoring and protection would boost confidence and support further creative investment in China.

Recommendations:

- Foster a transparent, enforceable and collaborative regulatory framework for digital content governance in China that protects the rights of creators over their work;
- Strengthen existing anti-piracy measures to prevent pirated content from being redistributed on websites, e-commerce platforms and social media;
- Conduct regular operations through Chinese copyright authorities to cut off domestic access links to international infringing and pirating websites;
- Develop clear regulations around the use of published content for AI training, ensuring that publishers' rights are protected and that AI companies seek permission before using protected works;
- Create channels for dialogue between Chinese authorities, publishers and technology companies to discuss the IP safeguarding needs of content creators;
- Create channels for best-practice exchange between the UK and China to align standards for protecting and enforcing the copyright and intellectual property rights of creative companies.

2 REMOVE THE 10% VAT ON SUBSCRIPTION SERVICES FOR ACADEMIC PUBLISHERS

China is building a leading ecosystem for high quality academic research and journal publishing. Supportive policies such as the *China Science and Technology Journal Excellence Action Plan* seek to build the quality of China's academic publications.[5] A strong international publishing presence supports these goals by boosting the visibility of Chinese research and strengthening peer review standards and global academic exchanges. British publishers and academic institutions are well aligned to contribute and already report rising demand for journal publishing.

Changes in the tax environment and institutional purchasing practices have dampened an otherwise positive environment for collaboration. A recent increase in the VAT on subscription services has raised operating costs for foreign publishers at a time when creative-sector firms are investing in the Chinese market.[6] Separately, Chinese institutions are increasingly reluctant to pay the article processing charges (APC) of high-cost foreign articles, suggesting a lowering perceived value of international research content.

Both trends hinder the ability of British partners to support China's goal of building world-class academic journals. Continuing the smooth exchange of top research between Chinese and international institutions would be supported by removing the VAT on publishers' subscriptions and supporting the publication of foreign articles in Chinese journals.

Recommendations:

- Remove the 10% VAT on subscription services for academic publishers;
- Support structured dialogue between Chinese and international publishing communities to ensure that research quality remains the primary basis for publication and purchasing decisions.

5 'Notice on Organising the Declaration of Projects under the China STM Journal Excellence Action Plan (关于组织实施中国科技期刊卓越行动计划有关项目申报的通知 科协发学字〔2019〕41号), 'Ministry of Education,' September 2019

6 'British Business in China: Sentiment Survey 2025-2026', British Chamber of Commerce in China, December 2025

MUSIC AND ARTS

3 PROMOTE WIDER RECOGNITION OF DIFFERENT QUALIFICATION TYPES ACROSS THE CREATIVE SECTOR

China's 15th *Five-Year Plan* prioritises the growth of experiential consumption and cultural tourism, creating demand for a skilled creative workforce.[7] The last year has seen multiple overseas artists from a range of genres coming to China as part of global tours. Despite this, some have reported that there is a lack of skills in key industries needed to support such events. Britain's experience in delivering modern creative qualifications positions it to support the training of skilled talent across the sector.

Qualifications in areas like sound engineering audio and lighting for film and theatre underpin an advanced creative workforce. Additionally, online and blended qualifications are expanding access to Britain's top institutions without requiring students to leave China. Broadening recognition of these qualification types and expanding UK-China provider partnerships can create jobs and develop high-quality creative talent.

Recommendations:

- Encourage collaboration between British providers and Chinese universities to develop jointly accredited programmes that meet the demand of local creative industries;
- Expand the recognition of qualifications to include online, blended and hybrid programmes delivered by partnerships between Chinese companies and accredited international institutions;
- Establish pathways for recognising new vocational qualifications in emerging creative and leisure industries.

4 PROMOTE ALIGNMENT BETWEEN UK AND CHINESE STANDARDS AND LICENSING FOR CULTURAL AND CREATIVE QUALIFICATIONS

As China's creative economy grows, so does the need for internationally recognised and consistent qualifications. Where international professional and educational partnerships have been established, British institutions have demonstrated their ability to deliver prestigious, globally recognised qualifications. However, British companies seeking to offer sports and creative qualifications, such as community football coaching or horticulture, can be deterred by the challenging regulatory and licensing requirements for foreign qualification providers in China.

To offer qualifications in China, British providers must navigate a complex set of licensing and regulatory requirements. Providers must seek approval across multiple Chinese ministries without clear timelines or criteria. Companies report that the Ministry of Personnel has suspended new applications for foreign companies to provide professional examinations, and that no foreign company has been granted the necessary Internet Content Provider (ICP) license for AI digital content. This deters investment and partnerships.

Recommendations:

- Clarify the timelines and requirements for approval of key licenses for qualification providers;
- Encourage a collaborative environment in which British businesses can support local vocational schools in China;
- Clarify whether foreign companies are eligible for ICP licenses to deliver AI content.

7 'China's new Five-Year Plan boosts luxury tourism and cultural exchange', CGTN, March 2026.

SPORTS

5 REVIEW TAX WITHHOLDING TREATMENT OF INTERNATIONAL SPORTS PARTNERSHIPS

China is placing growing emphasis on helping domestic companies expand overseas and strengthen international sales. For many Chinese brands, partnerships with British sports institutions are an increasingly important way to reach overseas consumers and improve international visibility. Sponsorship agreements provide Chinese companies with access to large international audiences and trusted global brands, helping firms raise recognition in competitive overseas markets.

Cross-border sponsorship and licensing agreements often involve payments from China to overseas organisations that are subject to withholding tax. In practice, this increases the cost of partnerships and can distort commercial negotiations by raising the effective price paid by Chinese companies. A Chinese automotive brand sponsoring a British sports team, for example, may face higher material costs than competitors operating under different tax arrangements, making partnerships less commercially attractive.

Reducing tax friction would strengthen UK-China sports cooperation while supporting China's wider international ambitions. Lower costs would make sponsorship and commercial partnerships easier to conclude, helping Chinese brands build overseas recognition and expand more effectively into international markets. A more commercially workable approach could also reduce incentives for agreements to be routed through overseas entities solely to manage tax exposure.

Recommendations:

- Review tax-withholding treatments applied to outbound sponsorships, licensing and related commercial sports payments;
- Explore more proportionate treatment for sports and entertainment partnerships that support international trade, commercial cooperation and overseas market development;
- Continue engagement with industry to identify practical approaches to reducing unnecessary friction in cross-border sports partnerships.

6 INVEST IN GRASSROOTS SPORTS DEVELOPMENT AND FOSTER SPORTING CULTURE

Community-level sports are integral to public health, personal interactions, as well as identifying and training elite athletes. In China, British firms offer our cultural sporting experiences across football, sailing, horse-riding and snooker. These companies have expertise in training, coaching and community development at all ages.

China's excellent sports facilities, particularly in schools and universities, could be used to offer activities to a wider demographic. Unlike in Britain, these facilities are often inaccessible to the public. British firms are keen to work alongside local governments and enterprises to expand access to these facilities.

Recommendations:

- Promote exchanges between Chinese and British companies on grassroots sports development, particularly in football culture;
- Support and facilitate collaborative sports initiatives with British and Chinese co-providers;
- Incentivise schools and universities to collaborate with community and private sector sports clubs to share access to their facilities;
- Promote knowledge-sharing between the UK and China on measuring sport's social impact, helping governments and sponsors direct funding more effectively.

EDUCATION

SUB-SECTORS

Qualifications

Higher Education

K12 and Early Years Education

OUR POSITION

1. Promote mutual recognition of international professional qualification certification systems
2. Optimise market access environment for holistic education
3. Enhance clarity on the implementation of negative list provisions for foreign educational examinations
4. Promote recognition of UK online and blended degrees
5. Allow work permit extensions for experienced foreign teachers up to age 65

STATE OF THE SECTOR

LOOKING BACK

British education companies in China are facing increasing pessimism as financial conditions worsen. According to the Chamber's *British Business in China: Sentiment Survey 2025-2026*, respondents in the education sector underperformed on the major metrics, with revenue weakening, operating conditions deteriorating, and optimism declining sharply year-on-year, whilst pessimism for the year ahead rose from 28.2% to 41.9%.[1] Discussion with members suggests that this is due to UK providers having to navigate a combination of unavoidable challenges that strain the sector.

Firstly, members have highlighted the significance of economic issues, with some suggesting that value for money has become a focal point for parents, with only 32.2% of education firms reporting higher revenue in 2026 against a survey average of 37.8%.[2]

Secondly, there are substantial demographic issues facing the sector. Annual births in China fell from 18.8 million in 2016 to 9 million in 2023, marking a 52% drop.[3] 41,500 kindergartens have already closed by 2024, showing how quickly the shortage is hitting schools.[4] This shrinking school-age population is due to move through the sector and reshape both domestic and overseas higher education. By around 2041, the long-standing surge in Chinese students going abroad is projected to peak and reverse. Numbers of Chinese university students in the UK have held steady at about 143,000 students per year, demographic shifts are likely to shift demand.[5]

Finally there has been rapid growth in the amount of China's international and internationally-oriented schools, drastically increasing competition within the sector. Whilst expansion in the sector slowed after the *Private Education Law (2021), Double Reduction Policy (2021),* and the pandemic, the number of international schools has still doubled from 96 to 193 in the past two decades, alongside the emergence of the internationally oriented school

1 'British Business in China: Sentiment Survey 2025-2026,' British Chamber of Commerce in China, December 2025

2 'British Business in China: Sentiment Survey 2025-2026,' British Chamber of Commerce in China, December 2025

3 'Chinese students studying overseas', Venture, September 2025

4 Ibid.

5 'Higher Education Student Statistics: UK, 2024/25 – Where students come from and go to study,' Higher Education Statistics Agency, January 2026

sector for Chinese nationals now exceeding 800 schools.[6] [7] [8] Importantly, much of this growth has extended beyond Tier 1 cities, with high-quality British-style provision now operating successfully in locations such as Changsha and Hainan.[9] For the higher education sector, there is also increasing competitiveness from universities in Mainland China and Hong Kong.

OPPORTUNITIES GOING FORWARD

Despite the challenges facing the sector, opportunities remain for British education providers that can clearly articulate their value and adapt to the changing realities of the Chinese market. In a more mature and competitive environment, providers will increasingly need to focus on quality and long-term reputation rather than scale alone.

Members highlighted opportunities at the intersection of business and education, particularly in areas linked to employability, entrepreneurship, innovation, and industry integration. As Chinese businesses continue to internationalise, there remains demand for graduates and professionals with international experience, cross-cultural communication skills, and practical understanding of global markets. British qualifications providers continue to retain strong reputations in many of these areas such as accountancy and design, where education is linked directly to business, research, or real-world outcomes.

Premium & specialist positioning is still supporting schools in those areas of the market. Across K-12 schools, transnational education, executive education, and wider education services, providers with strong brands, clear outcomes, and differentiated offerings are more likely to emerge stronger from the current period of consolidation. As local competition intensifies, intellectual property, curriculum design, and pedagogy are becoming increasingly important. The market is becoming less tolerant of generic provision, particularly in overcrowded areas of the sector. A recent Venture Education survey of Chinese education professionals on factors driving individuals to pursue postgraduate degrees saw ‘significant specialisation’ come before ‘university ranking’ and ‘teaching quality’. Similar improvements are now being added to higher education, with offerings of degrees taken across different campuses and in different countries.

There also remain other areas where British providers continue to offer expertise that is not yet widely available domestically. Examples raised by members included specialist psychology programmes, creative writing, interdisciplinary postgraduate study, leadership development, football coaching, and music qualifications. While these opportunities are unlikely to support the scale seen in previous decades, they may continue to provide commercially viable and strategically important areas of engagement.

In higher education, opportunities lie in targeted collaboration: joint research, dual degrees, and programmes linked to strategic sectors such as green technology, advanced manufacturing, and creative industries. British providers can also support China’s ambitions in lifelong learning and upskilling, particularly for professionals in sectors where global standards are rapidly evolving.

The geography of opportunity within China is also evolving. Whilst Beijing and Shanghai remain critical markets, incentives are increasingly being offered by a range of smaller cities seeking to attract educational investment and international partnerships. These opportunities can include subsidised office space, financial incentives, and local government support. However, these markets can also be highly competitive and relationship-driven, requiring careful due diligence, strong local partnerships, and a realistic understanding of the value a British provider brings to the ecosystem.

Ultimately, China remains a large and important education market, but a far more selective one. Providers entering or expanding in the market will need to be clearer than ever about where they add value, why they are differentiated, and how they remain commercially sustainable over the long term.

6 General Office of the Central Committee of the Communist Party of China and General Office of the State Council of the People’s Republic of China issued the “Guidelines to Ease the Burden of Excessive Homework and Off-campus Tutoring for Students Undergoing Compulsory Education”, the Central People’s Government of the People’s Republic of China, July 2021

7 ‘Data Hub’, Schoolata, accessed May 2026

8 ‘Implementing Regulations on the Private Education Promotion Law of China’, Ministry of Justice of the People’s Republic of China, May 2021

9 ‘British Independent Schools in China: The Sea Change’, Venture, October 2025

OUR POSITIONS

QUALIFICATIONS

1 PROMOTE MUTUAL RECOGNITION OF INTERNATIONAL PROFESSIONAL QUALIFICATION CERTIFICATION SYSTEMS

British qualification providers enjoy a strong reputation and broad industry influence globally, underpinned by high-quality education, training, and professional competency assessment services. However, their market presence and business development in China still face numerous practical obstacles. The core issue is the lack of smooth mutual recognition of professional qualifications between the two countries. Taking internationally recognised credentials in fields such as finance, accounting, and auditing as an example, while these certifications hold high global prestige, holders are often unable to obtain equivalent professional practice rights as those granted by domestic statutory qualifications.

The UK-China Economic and Financial Dialogue (EFD) held last year has already achieved substantive progress in the mutual recognition of professional qualification, laying a solid foundation for subsequent implementation. According to the British Chamber's *British Business in China: Sentiment Survey 2025-2026*, stakeholders in the education sector report that the continuous improvement in bilateral relations over the past year will effectively optimise the business and development environment for British business in China.[10] Both the UK and China can fully utilise cooperation platforms such as the EFD and the UK-China Joint Economic and Trade Committee (JETCO) to strengthen normalised exchanges between relevant departments regarding the benchmarking and mutual recognition of professional qualification standards. This will help enhance China's high-end professional services market's openness and global outlook, attracting more premium international educational and certification resources, helping cultivate China's talent and growth in the professional services sector.

Recommendation:

- Utilise the EFD and JETCO platforms to establish a special working group, promoting regular consultations and substantive progress on the mutual recognition of professional qualifications between the UK and China

2 OPTIMISE MARKET ACCESS ENVIRONMENT FOR HOLISTIC EDUCATION

British holistic education providers possess a wealth of high-quality teaching resources in fields such as sports, arts, music, and vocational skills, yet they continue to face systematic access barriers when entering the Chinese market. The *'Guidelines to Ease the Burden of Excessive Homework and Off-campus Tutoring for Students Undergoing Compulsory Education' ('Double Reduction' Policy)* issued in 2021 implemented strict regulations on off-campus tutoring.[11] Over the five years since its implementation, the dissemination channels for British educational content and holistic training resources have been continuously shrinking.

Currently, foreign investment in primary, secondary, and higher education remains strictly restricted, with cooperation only permitted through transnational education models led by the Chinese side.[12] Meanwhile, the Chamber's *British Business in China: Sentiment Survey 2025-2026* shows that the primary regulatory challenge for the education sector is the transparency

10 'British Business in China: Sentiment Survey 2025-2026', British Chamber of Commerce in China, December 2025

11 'General Office of the Central Committee of the Communist Party of China and General Office of the State Council of the People's Republic of China issued the "Guidelines to Ease the Burden of Excessive Homework and Off-campus Tutoring for Students Undergoing Compulsory Education"', the Central People's Government of the People's Republic of China, 24 July, 2021

12 'The "Special Administrative Measures on Access to Foreign Investment (Negative List) (2024 Edition)"', the National Development and Reform Commission of the People's Republic of China, September 8, 2024

of the business environment.[13] Current policies lack clear boundaries in defining 'academic' versus 'non-academic' training; consequently, high-quality holistic education, which could serve as a beneficial supplement to core in-school curricula, is subject to collateral constraints in actual management.

Establishing a more inclusive regulatory framework for classification that clearly distinguishes sports, arts, music, and vocational skills training from academic restrictions, and broadening compliant channels for foreign investment to participate in non-academic education, will facilitate 'all around development of moral, intellectual, physical, aesthetic and labour education' of students. In addition to benefitting Chinese students with access to high-quality, holistic British educational resources, this will also help the Chinese government fulfil objectives of the *'Double Reduction'* policy. With the diversification and development of the educational ecosystem, students' extra-curricular activities and achievements will be enriched as their excessive academic burdens alleviated.

Recommendation:

- Optimise the classification of academic and non-academic training to avoid imposing excessive restrictions on holistic education content such as sports, arts, music, and vocational skills
- Expand paths for foreign investment in holistic education to provide a clearer and more predictable access mechanism for high-quality international educational content.

3 ENHANCE CLARITY ON THE IMPLEMENTATION OF NEGATIVE LIST PROVISIONS FOR FOREIGN EDUCATIONAL EXAMINATIONS

China's 2024 cross-border *Services Negative List* includes a provision that prohibits foreign education service providers from 'independently organising educational examinations.[14] While the intention of this provision is understood, its practical implementation would benefit from further clarification. Under such circumstances, stakeholders continue to seek more precise definitions of key terms, including the scope of 'educational examinations', the meaning of 'independently organising', and the criteria for identifying an eligible Chinese partner organisation. These definitional uncertainties create compliance challenges for international examination bodies, particularly for those seeking to enter the Chinese market for the first time. It also leads to increased legal and operational costs for qualified providers.

Greater clarity in this area would support more effective implementation of the Negative List, reduce unintended compliance risks, and provide a more predictable environment for both domestic and international education service providers. It would also support China's broader objectives of expanding high-quality education services in a well-regulated manner and ultimately benefiting Chinese students and professionals through greater access to globally recognised qualifications.

Recommendations:

- Issue supplementary implementing guidance defining 'educational examinations' and 'independently organising', with illustrative examples of compliant partnership models;
- Publish a public directory of eligible Chinese partner categories, alongside transparent eligibility criteria and application procedures.

13 'British Business in China: Sentiment Survey 2025-2026', British Chamber of Commerce in China, December 2025

14 'The Special Administrative Measures for Cross-Border Trade in Service (Negative List)' Ministry of Commerce of the People's Republic of China, March 2024

HIGHER EDUCATION

4 PROMOTE RECOGNITION OF UK ONLINE AND BLENDED DEGREES

Roughly 240 joint UK-China degree programmes and 40 joint institutes are currently operating across China.[15] These initiatives combine the academic strengths of both countries, providing Chinese students with access to international curricula, advanced research, and diverse teaching methods. As digital and blended learning continue to expand globally, China is also well positioned to play a leading role in education innovation and international cooperation.

However, inconsistent recognition of online and blended degree programmes continues to hinder industry progress and discourage Chinese universities from expanding flexible learning pathways for remote and working students. Without full recognition, some international degrees may also fail to deliver the expected career benefits, limiting graduates' access to high-quality employment opportunities.

Enhancing recognition of online and blended degree programmes would expand access to flexible, high-quality education, particularly for remote and working students, while improving graduate employability in an increasingly digitalised global economy. At the same time, it would strengthen China's appeal as an international study destination and support the digital transformation of Chinese universities.

Recommendations:

- Develop clear and transparent pathways for the recognition of high-quality online and hybrid degrees;
- Launch pilot mutual recognition schemes for online degrees in free trade zones.

15 Call for Evidence: The UK Government's China Audit', UK Parliament, May 2025

K12 AND EARLY YEARS EDUCATION

5 ALLOW WORK PERMIT EXTENSIONS FOR EXPERIENCED FOREIGN TEACHERS UP TO AGE 65

International schools and education providers contribute to China's educational development by offering globally recognised curricula and facilitating academic exchange. China hosts more than 1,000 schools offering international curricula, making it one of the world's largest international education markets.[16] Foreign teachers support these programmes by bringing specialist expertise and helping to maintain internationally competitive education standards. However, international schools now face great challenges due to stricter enforcement of age requirements under the foreign work permit regime.

Under China's foreign work permit system, most foreign teachers are classified as Category B talent and subject to a general age limit of 60. While many regions previously applied this rule flexibly, authorities since February 2026 have begun enforcing it more strictly, particularly in major cities such as Beijing and Shanghai. This has created recruitment and retention challenges for international schools, especially for specialist teaching and senior academic roles, risking disruptions to educational quality and continuity.

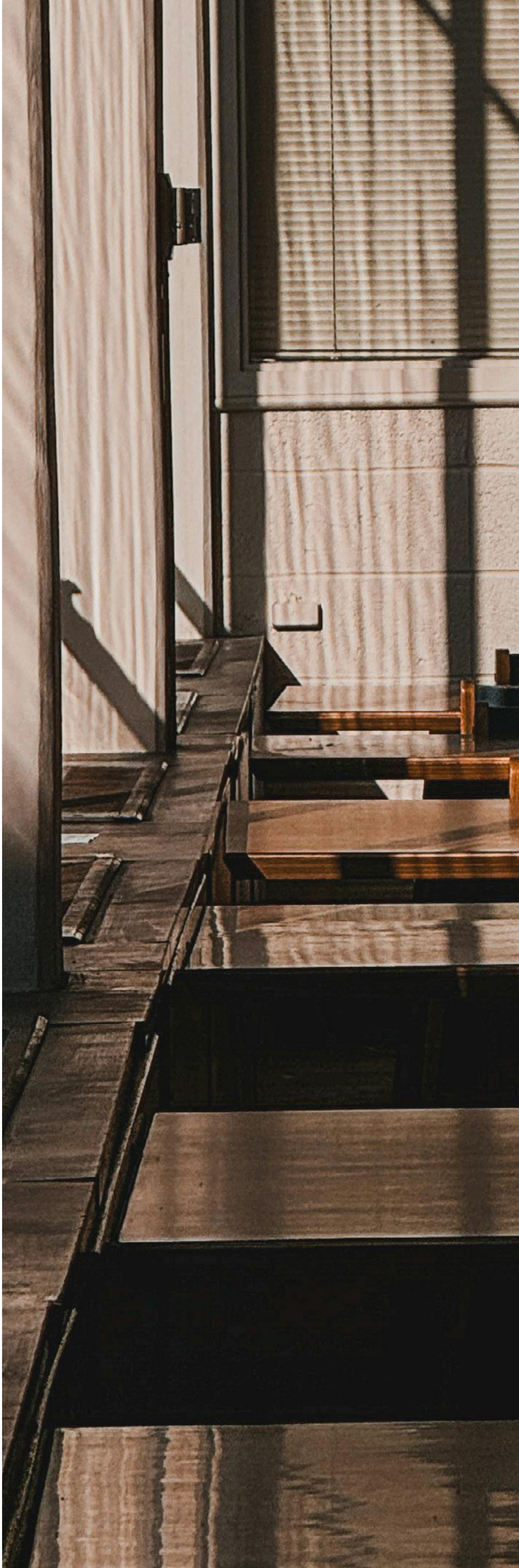
Moreover, the UK's standard retirement age is currently 68, allowing for 36,000 teachers that are aged 55-59. These teachers have invaluable experience in education and often seek to bring their talents abroad. By enforcing a rigid cut-off at 60, China risks losing access to an examplary cohort of specialized teachers.

Granting limited extensions to highly qualified foreign teachers, especially for specialist subjects and senior leadership roles where suitable replacements are not readily available will help international schools retain experienced educators, maintain consistent teaching quality. This flexibility would also support China's international education sector while preserving the integrity of the foreign work permit system.

Recommendation:

- Allow work permit extensions for experienced foreign teachers up to age 65.

16 'International Education Heats Up Driven by Chinese Immigrant Families, Industry Scale Approaching 100Billion Yuan (中国移民家庭助推国际教育升温，行业规模逼近千亿关口),' Sina Finance (新浪财经), March 2026



ENERGY

OUR POSITION

1. Clarify relevant laws, regulations, and incentive mechanisms for carbon capture and storage (CCUS/CCS)
2. Adjust market access and incentive mechanisms for the electric vehicle (EV) charging market
3. Improve carbon market coverage, participant diversity, and trading mechanisms
4. Promote energy sector alignment and international mutual recognition of green and low-carbon standards
5. Support sustainable aviation fuel and hydrogen infrastructure development

STATE OF THE SECTOR

INDUSTRY REVIEW

The Chamber's *British Business in China: Sentiment Survey 2025-2026* suggested that overall confidence in the energy sector is weakening. While the proportion of companies anticipating turnover growth has increased year-on-year, optimism regarding the 2026 outlook has dropped to 35.7% compared to 47.4% the previous year. Pessimism among UK firms has also risen, climbing from 26.3% to 42.9%.[1]

Energy sector market access barriers are the most severe across industry, affecting 71.4% of respondents, the highest rate across all sectors. The sector also recorded the highest incidence of 'perceived market closure,' with 28.6% of respondents reporting market contraction or tighter access over the past year. This positions the energy sector, alongside advanced manufacturing and transportation (23.8%), as one of the areas where foreign-invested enterprises feel most restricted. Despite the current improvements to regulations and procedures around to governmental acquisition, firms still hope to see a more transparent business environment and more lenient regulations.[2]

China has made strong progress in transitioning toward a greener and lower-carbon energy model, with several initiatives expanding opportunities for relevant development for British companies; in March 2025, with the approval of the State Council, the steel, cement, and aluminium smelting sectors were officially incorporated into the National Carbon Emissions Trading Market (ETS). The volume of carbon emissions under market control increased from 5 billion tonnes to 8 billion tonnes, covering over 60% of China's total carbon emissions and solidifying its position as the world's largest carbon market by volume.[3] This institutional expansion has unlocked a stable and promising landscape for British firms specialising in carbon management, emissions verification, low-carbon technical services, and transition finance.

1 ' British Business in China: Sentiment Survey 2025-2026,' British Chamber of Commerce in China, December 2025

2 Ibid.

3 'Ministry of Ecology and Environment: Carbon Market to Largely Cover Major Industrial Emission Sectors by 2027,' People's Daily Online, November 2025

FUTURE OPPORTUNITIES

Though British companies' confidence is under short-term pressure in 2026, China's strategy of pushing for a low-carbon transition provides a clear direction toward which these firms may proceed. Survey data show that firms generally value the strategic importance of the Chinese market, with anticipated growth opportunities primarily concentrated in three areas: supporting Chinese businesses in their 'Going Global' strategy, producing export-oriented low-carbon products in China, and establishing joint ventures or strategic partnerships.[4]

The General Office of the CPC Central Committee and the General Office of the State Council have issued the *Guidelines on Accelerating the Green and Low-carbon National Transition and Strengthening the Construction of the National Carbon Trading Market* with regards to expanding the domestic carbon market. This policy will continue to expand the national ETS, bringing sectors such as chemicals, petrochemicals, civil aviation, and papermaking into the scheme. Following the principle of 'incorporating sectors based on their state of readiness,' the goal is to cover most major industrial emitters by 2027.[5] [6] The 2026 *Government Work Report* to the National People's Congress explicitly mentions the establishment of a national low-carbon transition fund to further expand market control.[7] This provides a tangible policy window for British firms to seek cooperation in areas such as carbon pricing mechanisms, emission reduction verification, carbon financial derivatives, and professional carbon market services. However, there remains significant room for improvement in quota allocation transparency, trading liquidity, and the sophistication of carbon financial instruments in current carbon market, which remain the core issues consistently advocated by the British Chamber of Commerce in China.

The large-scale deployment of Carbon Capture, Utilisation, and Storage (CCUS) technology will be another key area for collaborative opportunity. In March 2026, China and the UK held a symposium themed the 'Path to Net Zero - UK-China CCUS Partnership Initiative', delving into technical pathways for carbon capture at natural gas-fired power plants and UK-China policy cooperation.[8] The UK leads in CCUS R&D and regulation, especially in commercial areas.

Meanwhile, the benchmarking and mutual recognition between domestic green and low-carbon standards and mainstream international frameworks will serve as an essential institutional foundation for deepening cooperation between Chinese and British companies.

The *Memorandum of Understanding on UK-China Clean Energy Partnership* signed in March 2025 identifies power market reform, batteries, offshore wind, CCUS, and clean hydrogen as key priorities for UK-China energy collaboration.[9] The Chamber anticipates that the next UK-China Economic and Financial Dialogue, expected in 2026, will further facilitate the implementation of substantive energy cooperation agreements. These are expected to encompass the mutual recognition of green standards, collaboration on clean energy technologies, and supporting decarbonisation policies, thereby providing a stronger policy foundation for the long-term development of British energy companies in China.

4 'British Business in China: Sentiment Survey 2025-2026', British Chamber of Commerce in China, December 2025

5 Ibid.

6 'Guideline on Accelerating the National Green and Low-carbon Transition and Strengthen the Construction of the National Carbon Trading Market,'Ministry of Ecology and Environment of the People's Republic of China, August 2025

7 'Government Work Report,' Supreme People's Procuratorate of the People's Republic of China, March 2026

8 'Deepening UK-China Clean Energy Cooperation to Forge Decarbonisation Pathways for Gas-fired Power: UK-China Symposium on Carbon Capture Technology and Policy for Natural Gas-fired Power Plants held in Beijing, UK-China (Guangdong),' CCUS Centre, March 2026

9 'Signing of the Memorandum of Understanding on UK-China Clean Energy Partnership,' China National Petroleum Corporation, March 2025

OUR POSITION

1 CLARIFY RELEVANT LAWS, REGULATIONS, AND INCENTIVE MECHANISMS FOR CARBON CAPTURE AND STORAGE (CCUS/CCS)

Carbon Capture, Utilisation, and Storage (CCUS/CCS) is essential for China to meet its 2060 carbon neutrality goals. Beijing has made strong progress in this domain and is transitioning from pilot projects to large-scale development, with regulators having issued 12 national standards to support this shift.[10]

However, from the perspective of industrial commercialisation, projects in this field in China still face institutional and economic constraints. Although China is moving quickly to build its technical standard, a systematic legal framework specifically addressing CCUS has yet to be established; current regulatory requirements remain dispersed across existing environmental protection, energy, and mineral laws and regulations. Uncertainty surrounding legislation, approval processes, liability, and carbon credit ownership prevents companies from accurately assessing risks and returns. This creates a barrier to securing financing, designing viable business models, and scaling up projects.

Recommendations:

- Clarify the key regulatory rules governing the project, including approval procedures, responsible regulators, environmental impact assessment requirements, long-term monitoring obligations, and the division of safety responsibilities;
- Establish unified Measurement, Reporting, and Verification (MRV) technical specifications alongside supporting methodologies;
- Clarify carbon asset ownership and revenue allocation mechanisms; and facilitate the integration of relevant projects into the trading framework of the national carbon market;
- Introduce diversified fiscal and financial incentive mechanisms, such as green loans, tax incentives, and subsidies for demonstration projects to reduce pre-investment risks for companies and improve project economics;
- Promote the alignment of domestic CCUS technical standards, MRV methodologies, and carbon accounting framework with international standards, thereby establishing a foundation for cross-border cooperation, low-carbon product certification, and international carbon asset recognition.

10 'A Batch of Important National Standards for Carbon Capture, Utilisation, and Storage (CCUS) Released,' China Quality Supervision Network, January 2026

2 ADJUST MARKET ACCESS AND INCENTIVE MECHANISMS FOR THE ELECTRIC VEHICLE (EV) CHARGING MARKET

Currently, the charging equipment manufacturing sector is subject to national standards such as the 3C certification and energy efficiency ratings, which has facilitated the phasing-out of less efficient charger manufacturers. However, on the operational side, the industry lacks unified high-standard market entry thresholds and service quality standards.

The absence of a compulsory exit mechanism for said inferior charging networks has also led to unsustainable pricing, suppressed long-term investment willingness of high-quality operators, and constrained high-quality, sustainable development of the charger industry. China possesses the world's largest number of electric vehicles.

The *Three-Year Action Plan for Increasing Service Capacity of Electric Vehicle Charging Facilities (2025-2027)*, jointly issued by the National Development and Reform Commission, explicitly puts forward the construction of 28 million charging facilities by the end of 2027.[11] However, rapid growth is hurting quality. Low barriers allow unqualified operators to slash prices and waive service fees to grab customers. This triggers price wars, making it impossible for reputable firms to earn fair returns on their investments.

Recommendations:

- Establish unified market access standards and operational qualification audit mechanisms for the EV charging industry to curb price competition;
- Introduce grading standards for charging service quality and link subsidy allocations directly to service performance, thereby establishing clear quality benchmark for the market;
- Standardise construction and operational requirements for charging stations across different regions to reduce compliance costs, thereby providing a consistent and predictable policy environment for nation-wide operators.

11 ' Circular of the National Development and Reform Commission and Other Ministries and Commissions on Issuing the *Three-Year Action Plan for Increasing Service Capacity of Electric Vehicle Charging Facilities (2025—2027)*, National Development and Reform Commission, 15 October 2025

3 IMPROVE CARBON MARKET COVERAGE, PARTICIPANT DIVERSITY, AND TRADING MECHANISMS

The current carbon market covers a narrow span of sectors, with few firms able to participate and a lack of clarity over trading rules, resulting in unreliable carbon prices that struggle to drive down emissions. In March 2025, the Ministry of Ecology and Environment expanded the market to cover high-emission sectors such as steel, cement, and aluminium smelting, signalling an imminent leap in market scale.[12] However, energy firms are still reporting concerns over the transparency of the business environment.[13] For instance, unclear timelines and allowance rules, together with the lack of an active, reliable carbon price, make it hard for energy firms to judge the returns on long-term investments in low-carbon technologies.[14] Meanwhile, trading is mainly confined to direct emitters, with few financial institutions or professional carbon traders taking part, meaning the volume of transactions stays low.[15]

The range of instruments in the Chinese Certified Emission Reduction (CCER) market and carbon derivatives framework is also narrow. Although government guidelines call for the regulated development of activities such as carbon pledging and repurchasing, the lack of detailed operating rules and risk controls has kept financial institutions from engaging meaningfully.[16]

In the CCER market, initial methodologies such as afforestation carbon sinks and offshore wind have been released and projects are beginning to be registered. However, bulk and structured trading mechanisms are underdeveloped. Because buyers struggle to conduct due diligence on sellers, they incur reputational and compliance risks that deter them from investing. Internationally recognised compliance and transparency safeguards, if implemented effectively, would give foreign participants the confidence to participate more in China's carbon market.

Refining these rules and incorporating more participants in the market would send clearer and more reliable price signals to the wider economy. That may also encourage high-emitting companies to upgrade to low-carbon technology and support local governments to reliably co-ordinate regional emission reductions.

Recommendations:

- Clarify timelines and quota allocations for the inclusion of the petrochemical and aviation sectors in the national carbon market;
- Encourage eligible financial institutions and professional carbon trading entities to participate in market transactions;
- Expedite the issuance of operational guidelines and risk management requirements for carbon financial businesses, such as carbon asset pledging and sell-buyback financing;
- Improve regulations for bulk trading and project information disclosure under the CCER scheme, thereby strengthening safeguards for buyers' due diligence.

4 PROMOTE ENERGY SECTOR ALIGNMENT AND INTERNATIONAL MUTUAL RECOGNITION OF GREEN AND LOW-CARBON STANDARDS

China is accelerating the development of green and low-carbon standards. However, where these diverge from existing international norms, they risk inflating cross-border compliance costs for enterprises, which could prevent further international investment and green trade. Positive developments include the establishment of a product carbon-footprint system and improvements to the Green Electricity Certificate (GEC) and green energy trading, which have created a foundation for further reduction.[17]

Yet across the energy sector and its supply chains, Chinese standards still differ significantly from international rules such as those of the EU and UK. Markets often apply different accounting boundaries and data standards to how green electricity and green certificates are recognised, how green hydrogen and Sustainable Aviation Fuel (SAF)

12 'Total Quota and Allocation Plan for the Steel, Cement, and Aluminium Smelting Sectors in the National Carbon Emissions Trading Market for 2024–2025', Ministry of Ecology and Environment of the People's Republic of China, March 2025

13 'British Business in China: Sentiment Survey 2025-2026', British Chamber of Commerce in China,' December 2025

14 'Research on the Achievements, Issues, and Development Trends of China's Carbon Emissions Trading Market', Chinese Academy of Social Sciences, August 2025

15 'Key Bottlenecks to Address for National Carbon Market Expansion', National Carbon Market Information Network (Ministry of Ecology and Environment of the People's Republic of China), April 2025

16 'Guideline on Accelerating the National Green and Low-carbon Transition and Strengthen the Construction of the National Carbon Trading Market', Ministry of Ecology and Environment of the People's Republic of China, August 2025

17 'Guideline on Promoting the High-Quality Development of the Renewable Energy Green Electricity Certificate Market (NDRC Energy [2025] No. 262)', National Development and Reform Commission of the People's Republic of China, March 2025

are certified, and how carbon markets and carbon footprints are measured. This isolation in standards creates a dilemma for foreign-invested enterprises operating in China, as they are frequently compelled to navigate 'dual accounting' and 'dual certification' processes to satisfy the requirements of Chinese and international market regulators.

Such inconsistencies create obstacles for international energy companies by complicating their global ESG reporting and investment calculations, which ultimately weakens the competitiveness of China's energy sector. As rules such as the *EU's Carbon Border Adjustment Mechanism* (CBAM) take effect, any failure to win international recognition for China's green electricity records, emission-reduction accounting and product carbon footprints would force foreign firms to restructure their China supply chains and expose Chinese exporters to heavy carbon taxes and trade barriers.

Aligning Chinese and international standards would reduce compliance costs for multi-national businesses and help Chinese goods clear green energy compliance barriers to overseas markets like the EU. Deeper alignment could give international investors a globally trusted framework for backing China's clean energy, green fuel and decarbonisation sectors, reinforcing China's role in global climate governance and standard-setting.

Recommendations:

- Leverage UK-China and EU-China bilateral dialogues to accelerate the benchmarking and mutual recognition of production carbon footprint accounting, green electricity and green electricity certificates, and decarbonisation methodologies;
- Align domestic greenhouse gas accounting boundaries, emission factor databases, and certification processes with global standards, such as the ISO framework and the GHG Protocol.

5 SUPPORT SUSTAINABLE AVIATION FUEL AND HYDROGEN INFRASTRUCTURE DEVELOPMENT

China has set increasingly ambitious targets around aviation decarbonisation, with growing policy attention on sustainable aviation fuel (SAF) and hydrogen technologies. In 2023, the Ministry of Industry and Information Technology, the Ministry of Science and Technology, the Ministry of Finance and the Civil Aviation Administration of China jointly issued the *Outline for the Development of Green Aviation Manufacturing (2023–2035)*, which sets out plans to trial SAF on Chinese-built civil aircraft as a step towards wider commercial use.[18] While progress has been made, companies report that commercial adoption remains at an early stage due to limited infrastructure, long-term demand uncertainty, and policy implementation disparity across different regions.

Clearer incentives and more predictable regulatory frameworks would help support investment across the SAF supply chain, including production, certification, storage and distribution. Companies also note that stronger coordination between aviation regulators, energy providers and local governments is critical for the sector to scale.

British firms see significant opportunity for UK-China cooperation in sustainable aviation, particularly given the UK's strengths in aerospace engineering, SAF development and aviation technology. Greater alignment surrounding certification standards and fuel approval processes could support wider adoption and international interoperability over time.

Recommendations:

- Introduce clear, long-term policy incentives supporting SAF production, distribution and adoption;
- Accelerate infrastructure development linked to SAF and hydrogen technologies;
- Strengthen coordination across regulatory authorities, airlines, airports, and energy suppliers to achieve commercial scale;
- Deepen UK-China collaboration on sustainable aviation technologies, certification framework, and industrial standards.

18 'Outline for the Development of Green Aviation Manufacturing (2023–2035)', The State Council Information Office of the People's Republic of China, October 2023

FINANCIAL SERVICES

OUR POSITION

1. Optimise corporate annuity licence management to promote diversified participation in pension finance
2. Expand outbound investment quota (QDII/QDLP Quota)
3. Clarify the definition of 'important data' to reduce uncertainty in cross-border data compliance
4. Optimise cross-border capital pooling arrangements to enhance cross-border capital flow facilitation
5. Promote diversified opening of financial products
6. Further international alignment on green financing

STATE OF THE SECTOR

LOOKING BACK

UK financial services firms in China benefitted from continued positive momentum in the last year, with improvements in business expectations and market sentiment. According to the *British Business in China: Sentiment Survey 2025-2026*, the share of companies that believe the business environment in China is more challenging than last year has dropped from 57.5% to 44.7%; Meanwhile, 52.6% of the financial services firms surveyed expect turnover to grow, up from 42.5% the previous year.[1]

Bilateral mechanisms such as the 2025 UK-China Economic and Financial Dialogue (EFD) and the resumption of the UK-China Joint Economic and Trade Committee (JETCO) have supported closer communication between companies and regulators.[2] [3] Member companies generally report clearer regulatory expectations and smoother business processes. Across all sectors, financial services is also among those where market opening is most clearly perceived, with 34.2% of surveyed respondents reporting more market openness initiatives over the past year.[4]

In addition, sustained high-level UK-China exchanges continue to send positive signals. The Prime Minister's January visit to China led to several announcements on cooperation, including the first meeting of the UK-China Financial Working Group, as well as a consensus on promoting RMB clearing, insurance cooperation and

1 *British Business in China: Sentiment Survey 2025-2026*, British Chamber of Commerce in China, December 2025

2 HM Treasury, *2025 UK-China Economic and Financial Dialogue: Policy Outcomes*, 11 January, 2025

3 UK Department for Business and Trade (DBT), *Briefing on the Visit of the UK Secretary of State for Business and Trade to China*, 12 September, 2025

4 *British Business in China: Sentiment Survey 2025-2026*, British Chamber of Commerce in China, December 2025

other financial issues. These developments mark a new phase of UK-China financial cooperation and lays a more solid policy foundation for British financial institutions to expand their operations in China.[5]

FUTURE OPPORTUNITIES

Looking ahead to 2026, UK financial services firms in China have shifted their judgements on the Chinese market, from cautious observation to a more confident and optimistic outlook. The *British Business in China: Sentiment Survey 2025-2026* shows that 68.4% of financial services firms are optimistic about 2026, an increase from last year's 47.5%, while pessimism fell from 25% to 13.2%.[6]

In the coming year, China will continue to deepen reform and innovation across the Five Key Areas of Finance, creating important opportunities for the sector. In March 2025, the General Office of the State Council issued the *Guidance on Advancing Five Key Areas of Finance*, setting out priorities in technology, green, inclusive, pension and digital finance.[7] This provides a clearer framework for participation in China's financial development for British firms, creating new opportunities in the innovation of technology finance tools, improvement of the pension finance system, upgrading of green finance products, and digital finance cooperation.

Transition finance is also likely to be an important area of UK-China collaboration in the coming year. China and the UK have already organised three symposia on transition finance to support policy alignment, standards harmonisation and product innovation. UK financial institutions bring experience in climate disclosure, green product design and transition finance. Greater alignment on standards, disclosure and incentives could help both sides support the development of transition finance at scale.[8] [9] [10]

Meanwhile, UK-China institutional dialogue will continue to play an important role in bilateral financial cooperation. The UK-China Financial Working Group held its first meeting in early 2026, with outcomes reported to the lead authorities of the EFD.[11] Members of the British Chamber of Commerce in China look forward to a new round of EFD this year, which could help deepen practical cooperation in financial regulation, market access, cross-border investment and sustainable finance. Stable and continuous high-level engagement can help translate policy discussions into clearer market opening measures and more practical outcomes for companies operating in China.

5 UK Department for Business and Trade (DBT), Prime Minister's Visit to China: Trade and Investment Factsheets, 30 January, 2026

6 *British Business in China: Sentiment Survey 2025-2026*, British Chamber of Commerce in China, December 2025

7 *Guiding Opinions on Banking and Insurance Institutions Doing Well in the Five Key Areas of Finance* (国家金融监督管理总局关于银行业保险业做好金融"五篇大文章"的指导意见 金发), National Financial Regulatory Administration (NFRA), May 2024

8 *2025 UK-China Transition Finance Symposium Held*, Green Finance Committee of China Society for Finance and Banking (GFC), 29 March, 2025

9 *The 2nd Symposium of UK-China Transition Finance Working Group on Finance Enables Transition - Green Leads the Future Held in Shanghai*, Green Finance Committee of China Society for Finance and Banking (GFC), 19 January, 2026

10 *The 3rd Symposium of UK-China Transition Finance Working Group Held in Shanghai*, Green Finance Committee of China Society for Finance and Banking (GFC), 25 April, 2026

11 *Multiple Consensuses Reached at the 1st Meeting of UK-China Financial Working Group*, Xinhua Net, 6 February, 2026

OUR POSITION

1 OPTIMISE CORPORATE ANNUITY LICENCE MANAGEMENT TO PROMOTE DIVERSIFIED PARTICIPATION IN PENSION FINANCE

The construction of a stable, diversified and sustainable corporate pension system is becoming increasingly important as China responds to demographic change and an ageing population. China is gradually shifting from a pension model focused primarily on Pillar I (basic pension insurance) towards a more developed system incorporating Pillar II (corporate and occupational pensions) and Pillar III (personal pensions). As part of this transition, pension finance will play a growing role in supporting long-term retirement security.

However, the approval of Pillar II-related licenses for fiduciary management, investment management, and account management has been suspended for more than a decade, and market services have been provided mainly by institutions that were approved earlier. Although the industry landscape is relatively stable, there remains room for market competition optimisation and stimulating industry innovation by enriching service supply.

Meanwhile, demographic shifts are escalating demand for pension finance. Resuming the approval of enterprise annuity licenses to facilitate the participation of a broader range of professional institutions would help diversify pension finance products and services, thereby advancing the modernisation and high-quality development of the social security system. In addition, foreign insurance and pension finance institutions have matured, accumulating experience in product design, risk management, global asset allocation and long-term fund management, providing an important reference for China's pension market.

Pension reform has already featured in UK-China dialogue, including through the UK-China Pensions Symposium and discussions under the EFD.[12] Continuing bilateral dialogue and practical cooperation will further help China build a more open, diversified, efficient and sustainable pension market system.

Recommendations

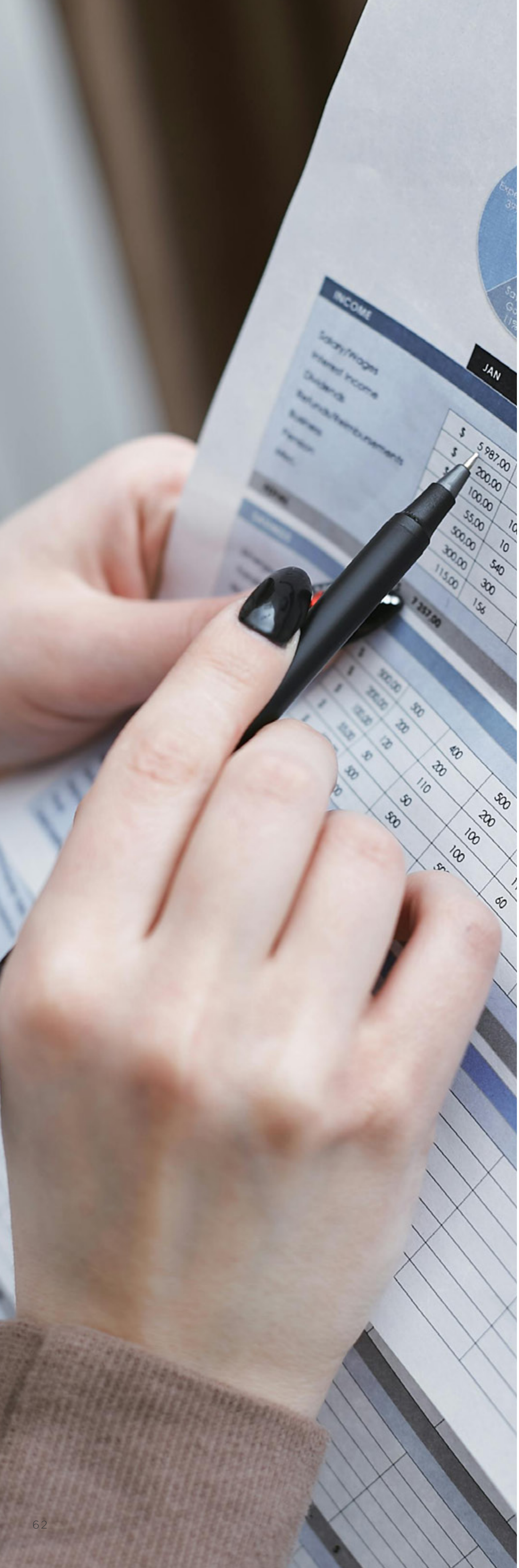
- Improve approval mechanisms for corporate annuity management licenses, including greater clarity on application processes and market entry standards to improve predictability for institutions;
- Support broader market participation, including by internationally recognised institutions with strong compliance records and relevant expertise, while encouraging localisation and joint venture models where appropriate;
- Strengthen UK-China dialogue on pension reform through existing mechanisms, including the UK-China Pensions Symposium, to support practical discussion on market access and pension system development.

2 EXPAND OUTBOUND INVESTMENT QUOTA (QDII/QDLP QUOTA)

Diversified overseas investment through compliant cross-border channels is becoming increasingly important for financial institutions seeking to manage risk and deliver stable long-term returns for customers. Qualified Domestic Institutional Investor (QDII) and Qualified Domestic Limited Partner (QDLP) schemes play an important role in China's cross-border investment framework, supporting access to overseas assets and broader portfolio diversification. The QDLP pilot programme has expanded steadily across Shanghai, Shenzhen, Beijing, Hainan and other regions, while publicly available data from the State Administration of Foreign Exchange (SAFE) shows total approved QDII quotas as having reached approximately GBP 130.4 billion (RMB 1.22 trillion) by the end of March 2026.

British financial institutions play an important role within this system. According to statistics, British-invested firms have received cumulative quotas of approximately GBP 10.3 billion (RMB 96.8 billion), accounting for around 7.9% of total approved quotas and more than half of those

12 HM Treasury, *2025 UK-China Economic and Financial Dialogue: Policy Outcomes*, 11 January, 2025



granted to foreign institutions.[13] This reflects the scale and experience of British firms operating in China, while also suggesting that current quota arrangements may not fully reflect market demand. Some institutions that have completed registration continue to report long waiting periods before quota allocations become available.

The 2025 EFD recognised the importance of greater openness in two-way investment and supported expansion of cross-border investment channels through QDII, QDLP and related mechanisms.[14] Accelerating the improvement of relevant institutional arrangements including QDII and QDLP, and steadily expanding the investment quota will help support foreign management institutions operating in China to carry out large-scale and standardised global asset allocation business. This would further enrich the range of services available in the domestic market and provide Chinese enterprises and residents with more diversified global asset management services.

Recommendations

- Actively promote the approval of new licenses for offshore investment by banks, insurance institutions and their asset management institutions, clarify the approval criteria and feedback mechanism, and stabilise market expectations;
- Expand the QDII investment quota, establish a fair and transparent allocation mechanism, and ensure that qualified foreign institutions can obtain the quota in a fair and reasonable manner;
- Promote the national standardisation of QDLP pilot rules, optimise cross-regional quota management, and provide a clear application process for qualified foreign managers.

13 *Qualified Domestic Institutional Investors (QDII) Investment Quota Approval Status Sheet*, March 2026

14 *HM Treasury, 2025 UK-China Economic and Financial Dialogue: Policy Outcomes,* 11 January, 2025

3 CLARIFY THE DEFINITION OF 'IMPORTANT DATA' TO REDUCE CROSS-BORDER DATA COMPLIANCE UNCERTAINTY

The *British Business in China: Position Paper 2025* noted that financial services firms continue to face compliance uncertainty because the definition of *important data* remains broad, unclear and insufficiently harmonised across regulations.[15] In 2026, this issue remains prominent. Foreign financial institutions have an operational need for cross-border data flows, with branch offices in China often dependent on global systems for day-to-day operations. Supporting Chinese companies expanding overseas and multinational clients also requires sharing transaction, account and operational data to facilitate cross-border settlement, financing and asset management.

China has made some progress in cross-border data regulation over the last year. In 2025, six ministries and commissions have jointly issued compliance guidelines for cross-border data flows in the financial sector, and it has clarified 47 of the 108 business scenarios which do not require outbound approval.[16]

However, the determination of *important data* continues to rely largely on the scale of data involved and the industry to which a client belongs, rather than whether the information genuinely raises national security or wider public interest concerns. In practice, institutions often rely on autonomous interpretation, increasing the risk of divergence between regulatory expectations and operational requirements. This is particularly challenging for foreign institutions whose operations in China depend on integration within global systems. In insurance, separate regulatory treatment of data transfer and capital flows can also create uncertainty where different authorities apply different approaches, leading to a lack of predictability.

Companies have reported that broad or unclear definitions increase compliance costs, operational risk and uncertainty surrounding everyday business, limiting the ability of financial institutions to support cross-border transactions effectively. Further clarification of *important data* definitions and exemptions for lower-risk business scenarios would improve predictability, reduce compliance burdens and strengthen the international competitiveness of China's financial sector.

Cloud computing usage restrictions also illustrate how data compliance challenges affect day-to-day operations. Currently, Chinese regulatory authorities have yet to provide a clear compliance basis for the use of international cloud service platforms (e.g., Microsoft 365), and foreign banks are forced to maintain locally deployed solutions, which are severed from the global digital operation system, resulting in high costs and lower efficiency. Regulations appear to favour local private cloud providers, fostering uncertainty on the part of international public cloud platforms, who remain unlicensed. The provision of a clear compliance basis for international cloud service platforms and the introduction of clear information protection measures for the use of international public clouds will help foreign financial institutions access the globally unified digital operation system and exit the quagmire of the *grey zone*. Additionally, it enhances the Chinese financial centre's competitive edge as a global data hub, and furthers the high-quality development of China's digital economy.

Recommendations

- Further refine the definition of *important data* and identify catalogues;
- Clarify the exemptions for cross-border flow of low-risk data such as internal governance, compliance and risk control, and routine customer service of multinational financial institutions, clarifying regulation boundaries;
- Expand the scope of the *White List* of cross-border data flow in the financial services sector to encompass a broader range of low-risk business scenarios;
- Roll back restrictions on the usage of cross-border cloud services, establish a uniform mechanism for security access, compliance assessment, and the division of rights and responsibilities, as well as safeguard institutional needs of digital compliance operations.

15 *British Business in China: Position Paper 2025*, British Chamber of Commerce in China, May 2025

16 China Trade in Services Guide Network (China Ministry of Commerce), *Six Ministries and Commissions Including the People's Bank of China Issue Documents to Promote and Regulate Cross-Border Flow of Data in Financial Sector*, 18 April, 2025

4 OPTIMISE CROSS-BORDER CAPITAL POOLING ARRANGEMENTS TO ENHANCE CROSS-BORDER CAPITAL FLOW FACILITATION

Last year's *British Business in China: Sentiment Survey 2025-2026* found that helping Chinese companies expand internationally is becoming an increasingly important source of growth for financial services firms in China. Efficient cross-border capital management is central to this, enabling domestic companies to support overseas investment, financing and day-to-day operations more effectively.[17]

China has continued to advance in cross-border capital facilitation in recent years. The State Administration of Foreign Exchange (SAFE) is actively exploring pilot programmes for centralising its management of cross-border capital, allowing eligible multinational companies to consolidate this capital from their members into a unified *capital pool*. In December 2024, the People's Bank of China (PBC) and the State Administration of Foreign Exchange (SAFE) further optimised the pilot policy of *Integrated Domestic and Foreign Currency Capital Pool of Multinational Companies*.[18] In July 2025, the PBC and the SAFE also issued the *Regulations on the Administration of Centralised Operation of Cross-border Domestic and Foreign Currency Capitals of Multinational Companies*, intending to extend the *universal version* of the pooling regulations, which have a wider scope of application, to the whole country.[19]

Despite this progress, businesses report that high entry thresholds, transaction-by-transaction approval requirements and uneven implementation continue to limit participation. For instance, the *standard version* of the capital pool has a relatively wider scope of application; domestic member companies are obliged to ensure that their annual business revenue must either be of at least GBP 109.6 million (RMB 1 billion), or that their annual balance of payments must be of at least approximately GBP 76.72 million (RMB 700 million). This threshold is even higher for the larger *higher versions* of capital pools.[20] This leaves many foreign-invested companies with genuine cross-border financing needs unable to benefit from the policy. A more flexible approach, considering business needs and compliance records alongside firm size, could widen access while maintaining effective oversight.

Businesses also report that cross-border financing and fund repatriation often require repeated reporting and approvals on a transaction-by-transaction basis. This slows decision-making, increases administrative burdens, and reduces capital management flexibility. Allowing compliant firms to operate more independently within approved quotas, with clearer operating rules and fewer repeated approvals, would improve efficiency for businesses while enabling regulators to deploy resources more effectively.

Recommendation:

- Relax access evaluation regulations to ensure innovative enterprises can benefit from capital pools;
- Simplify approval processes for overseas financing for firms with good compliance records in capital pools to increase efficiency;
- Enforce uniform execution of capital pool operational regulations to improve policy reliability.

5 PROMOTE DIVERSIFIED OPENING OF FINANCIAL PRODUCTS

When promoting financial product innovation, foreign financial institutions in China generally face practical difficulties such as opaque approval processes and inconsistent regulation implementation. Firms struggle to accurately plan investment and allocate resources when their innovations stagnate for uncertain periods of time in the approval process.

This issue is particularly prominent in the current policy environment: in March 2025, the General Office of the State Council issued the *Guidance on Advancing Five Key Areas of Finance*, which requires all types of financial institutions to accelerate the innovation of products and service modes to meet the differentiated needs of market players.[21] Foreign banks in China bring mature

17 *British Business in China: Sentiment Survey 2025-2026*, British Chamber of Commerce in China, December 2025

18 *Policy of the State Administration of Foreign Exchange on the Pilot Programme for Continuously Optimising the Integrated Domestic and Foreign Currency Capital Pool Business of Multinational Companies*, the People's Bank of China, 31 December, 2024

19 *Circular of the State Administration of Foreign Exchange on the Issuance of <Provisions on the Administration of Centralised Operation of Cross-border Domestic and Foreign Currency Capitals of Multinational Companies>* (Draft for Comments), the People's Bank of China, 25 July, 2025

20 Han Kun Law Firm, *Cross-Border Pooling Consolidation and Escalation: Regulatory Policy Evolution and Analysis*, 31 July, 2025

21 *Guidance on Advancing Five Key Areas of Finance* issued by General Office of the State Council, Xinhua Net, 6 March, 2025

international expertise across all five priority areas; reducing barriers to innovative product implementation would introduce more diversified financial instruments and support the efficient delivery of the Five Key Areas of Finance policy objectives.

Among these areas, technology finance is where foreign institutions' demands are most concentrated and policy innovation potential is greatest. Early-stage technology companies in the R&D phase typically lack the stable earnings records and traditional collateral required for conventional bank credit, while equity financing remains high-threshold, slow, and limited in coverage, leaving a clear financing gap between the two. In mature international markets, equity-warrant loans are the dominant instrument for bridging this gap: banks extend loans to technology firms with equity-warrant clauses that can be partially converted into equity upon reaching agreed growth targets.

By sharing in corporate growth upside, this model strengthens banks' incentive to support early-stage technology firms and fosters stable, long-term relationships. Some domestic institutions have begun pilot zones, but foreign banks face significant obstacles: ambiguous regulatory foundations, unclear approval pathways, and slow business progression. Clarifying the regulatory framework would broaden financing channels for early-stage firms, support China's drive for technological self-reliance, and introduce competitive pressure that raises the quality of financial product innovation.

Recommendation:

- Increase support for foreign banks to participate in technology finance, green finance, inclusive finance, pension finance and digital finance;
- Prioritise the pilot direction of equity-warrant loans, select institutions with relevant experience to carry out limited pilot programmes in regions where conditions are ripe, and explore ways to fill the tool gap between debt and equity financing for early-stage technology firms;
- Optimise the approval mechanism for financial innovation products and reduce the uncertainty of approval due to unclear policy calibre.

6 FURTHER INTERNATIONAL ALIGNMENT ON GREEN FINANCING

According to the *British Business in China: Sentiment Survey 2025-2026*, 76% of British financial services firms in China plan to increase their investment in new business expansion, with green finance generally seen as an important growth area.[22] The 2025 EFD also identified green finance as a key area of UK-China cooperation and established the UK-China Green Finance Working Group. Alignment on climate impact disclosure, green taxonomy standards, and transition finance have strengthened cooperation, though businesses still face obstacles with execution standards and market practice.[23]

22 *British Business in China: Sentiment Survey 2025-2026*, British Chamber of Commerce in China, December 2025

23 HM Treasury, *2025 UK-China Economic and Financial Dialogue: Policy Outcomes*, 11 January, 2025

Over the past year, China has continued to improve its green finance regulatory system and formally issued the *Corporate Sustainability Disclosure Guidelines - Climate-Related Information Disclosure (for Trial Implementation)* in December 2025 with reference to the ISSB (International Sustainability Standards Board) framework.[24 25] At the current stage of voluntary implementation, firms are challenged by *difficult data access* and *inconsistent statistical bases.* The lack of uniform and compulsory climate information disclosure makes it difficult for third-party organisations to obtain key data (e.g. physical location and asset size), reducing the accuracy of their company risk assessments, such as the Task Force on Climate-related Financial Disclosures (TCFD).[26]

Domestically, green data standards remain fragmented across regulatory departments, and alignment with international frameworks such as ISSB (IFRS S1 and S2) is incomplete, creating duplicative reporting burdens and incomparable data. Harmonising domestic green finance statistics and progressively benchmarking against ISSB would improve the accuracy and cross-border comparability of Chinese firms' climate disclosures, supply regulators with more reliable emissions data, and support the scientific design and evaluation of emissions reduction policy.

To reach confluence on transition finance and green product innovation, the UK and China jointly organised three Transition Finance symposia in 2025.[27 28 29] They concluded that the current range of green financial products remained homogeneous, focussing on green loans and insurance and lacking in innovative financial tools to facilitate the industrial low-carbon transition. The UK's extensive experience in transition finance, particularly with *just transition*, as well as integrating it with social impact assessments and community employment protection, is optimal for aiding China's own transitional efforts. The key performance indicator (KPI), for instance, exemplifies the sort of link between industry and emissions reduction China seeks. Integrating this British experience into China's financial institutions will thus empower them to both further their green transition and explore its commercial value.

China's carbon market has also progressed in constructing the national carbon emissions trading market (ETS), with the Ministry of Ecology and Environment expanding key industries in March 2025.[30] However, given the lack of charge on the current quota, firms may have fewer incentives to trade. And with the EU's Carbon Border Adjustment Mechanism (CBAM), UK-China technical dialogue on cross-border carbon accounting recognition and carbon price convergence attain particular strategic and commercial significance.[31] Drawing on mature international carbon market experience, gradually relaxing trading restrictions, diversifying quota allocation methods, and strengthening the linkage between the compliance market and the China Certified Emission Reduction (CCER) would produce more effective carbon price signals, incentivising low-carbon investment and providing durable market support for China's *dual-carbon* goals.[32]

Recommendations

- Harmonise domestic green finance data standards and accelerate alignment with international frameworks;
- Clarify the scope timetables for mandatory climate disclosure requirements, improving data comparability and availability;
- Draw on UK green financial product design practices and portfolio optimisation to enrich domestic practices;
- Optimise the carbon market mechanism by relaxing trading restrictions and intensifying mutual recognition between the carbon market and other green financial instruments (e.g. green bonds).

24 International Sustainability Standards Board (ISSB), 3 November, 2021

25 PwC *Corporate Sustainability Disclosure Guidelines for China*, 25 December, 2025

26 Task Force on Climate-Related Financial Disclosures (TCFD), 12 October, 2023

27 *2025 UK-China Transition Finance Symposium Held*, Green Finance Committee of China Society for Finance and Banking (GFC), 29 March, 2025

28 *The 2nd Symposium of UK-China Transitional Finance Working Group on Finance Enables Transition - Green Leads the Future Held in Shanghai*, Green Finance Committee of China Society for Finance and Banking (GFC), 19 January, 2026

29 *The 3rd Symposium of UK-China Transition Finance Working Group Held in Shanghai*, Green Finance Committee of China Society for Finance and Banking (GFC), 25 April, 2026

30 Circular of the Ministry of Ecology and Environment on the Issuance of the *Work Plan for the National Carbon Emission Trading Market Covering the Iron and Steel, Cement, and Aluminium Smelting Industries*, 20 March, 2025

31 *Carbon Border Adjustment Mechanism*, European Union, 19 September, 2023

32 *Completion of Registration of the First Batch of Certified Voluntary Emission Reductions in the National Trading Market for Voluntary Greenhouse Gas Emission Reduction*, Ministry of Ecology and Environment of the People's Republic of China, 6 March, 2025


中国人民銀行

FOOD AND BEVERAGE

SUB-SECTORS

Food and Beverage

Agriculture

OUR POSITION

1. Effectively implement lot code protection
2. Support effective implementation of consumption tax reform through industry consultation
3. Address customs and regulatory challenges affecting pork imports

STATE OF THE SECTOR

LOOKING BACK

British Food and beverage companies have faced a difficult year as weaker consumption trends and broader economic pressures continue to weigh on the sector. At the same time, companies are beginning to see targeted improvements on market access following renewed UK-China engagement. Following Prime Minister Keir Starmer's visit to China in January 2026, there has been positive progress on several long-standing issues raised by the Chamber, including the removal of whisky tariffs and changes to lot code requirements for imported spirits, the two main recommendations from last year's Position Paper.[1] For many companies, these developments have demonstrated the practical value of improved UK-China relations at a time when consumer-facing sectors remain under pressure in the China market.

Although optimism is rising, most Food and beverage firms still believe the operating environment is becoming tougher. In the *Business Sentiment Survey 2025-2026*, 56.0% of Food and beverage companies reported that operating conditions had become more difficult over the past year.[2] This is in spite of 40.0% recording revenue growth and the proportion reporting optimism for the year ahead rising from 48.1% in 2025 to 52.0% in 2026.[3] Slow consumption growth, weak demand for premium products and economic uncertainty all weigh on performance. UK exports to China also declined over the past year, including a 4.9% fall in goods exports.[4]

Despite this, demand for premium British products remains resilient in key categories. In 2025, China imported approximately RMB 3.2 billion (GBP 347 million) of whisky, with around 84.0% reportedly sourced from the UK.[5] The recent tariff adjustment is expected to support an estimated additional GBP 250 million in UK exports over the next five years, underlining both the importance of the Chinese market for British exporters and the impact targeted market access improvements can have on British exports.[6]

1 'British Business in China: Position Paper 2024-2025', British Chamber of Commerce in China, May 2025

2 'British Business in China: Sentiment Survey 2025-2026', British Chamber of Commerce in China, December 2024

3 'British Business in China: Sentiment Survey 2024-2025', British Chamber of Commerce in China, December 2025

4 'Trade and Investment Factsheets', Department for Business & Trade, May 2026

5 'China to lower tariffs on whisky imports in boost to trade with UK', Reuters, January 2026

6 'Prime Minister secures Scotch whisky tariff cut in China worth £250 million', Scotland Office and Prime Minister's office, 10 Downing Street, January 2026

Customs and regulatory issues are the most widely reported operational concern raised by companies in the sector. Members continue to report inconsistent enforcement at the border, misalignment between customs ports and sudden policy changes affecting imports into China. Companies have reported products being delayed or held at customs due to varying interpretations of labelling, registration and documentation requirements across regions. Businesses note that these inconsistencies increase compliance costs, disrupt supply chains and create uncertainty for exporters attempting to plan long-term investment into the market.

FUTURE OPPORTUNITIES

China remains one of the world's most important long term growth markets for imported food and beverage products. The country's imported food market reached approximately RMB 900.0 billion (GBP 97.7 billion) in 2024 and has grown steadily over the past decade, supported by rising demand for premium international products and increasing consumer focus on quality, safety and traceability.

The reopening of the Chinese market to UK pork exports has created renewed opportunities for British agricultural producers. Companies are now focussed on supporting stable long-term trade growth through continued engagement with Chinese regulators. More broadly, the continued development and modernisation of China's agricultural sector is creating opportunities for cooperation in agricultural technology, food safety, advanced processing and manufacturing.

China's long-awaited reform to its consumption tax framework is expected to have a significant impact on future investment decisions across the Food and beverage sector, particularly for imported premium products. Proposed downward shifting of the point of tax collection within the supply chain could reshape pricing structures, distribution models and regional competitiveness within the market. Companies have been closely monitoring developments, with some members reporting that uncertainty surrounding implementation has already complicated long-term planning and investment decisions. Greater clarity on the direction, timing and rollout of reforms would help businesses adapt more effectively while supporting stable investment and participation in China's consumer market.

OUR POSITION

1 EFFECTIVELY IMPLEMENT LOT CODE PROTECTION

British food and beverage companies have welcomed constructive engagement between the UK and China on lot code requirements for imported spirits over the past year, including progress reflected during Prime Minister Keir Starmer's visit to China in January 2026. Continued dialogue between regulators and industry has been positively received by businesses and demonstrates the practical value of UK-China cooperation on issues affecting consumer protection and market confidence.

China's revised *National Food Safety Standard for the Labelling of Prepackaged Foods (GB 7718)*, which will take effect in March 2027, represents an important step in improving food safety regulations and product traceability.[7] Robust traceability systems are essential to consumer protection, helping businesses and regulators identify products quickly where safety concerns arise while supporting confidence in legitimate products. If implemented effectively, lot code protection can improve the overall integrity of supply chains by reducing opportunities for food tampering.

Many international manufacturers already operate sophisticated traceability systems in which batch and production information is embedded within production codes, digital systems or QR-enabled processes used across international markets. As implementation of *GB 7718* progresses, businesses place importance on ensuring these systems remain workable under the revised framework while continuing to support China's objectives on food safety and product traceability.

British businesses support China's broader objectives in this area and welcome continued engagement during implementation of the revised framework. Stronger supervision surrounding the removal or damage of lot codes would help ensure products remain traceable throughout the supply chain and strengthen consumer confidence. Continued dialogue with industry during implementation can also help ensure lot code protection requirements are applied effectively and consistently.

Recommendations:

- Continue engagement with industry during implementation of *GB 7718* and revised lot code protection requirements;
- Strengthen supervision and enforcement against the removal or damage of lot codes to help ensure products remain traceable throughout supply chains;
- Provide clearer guidance on how internationally recognised traceability systems may operate under the revised framework;
- Encourage continued dialogue with industry to support effective implementation of lot code protection requirements and strengthen consumer confidence.

2 SUPPORT EFFECTIVE IMPLEMENTATION OF CONSUMPTION TAX REFORM THROUGH INDUSTRY CONSULTATION

British Food and beverage companies recognise China's ongoing efforts to modernise its fiscal system and improve market supervision through reforms to the consumption tax framework. Businesses report that reforms are being considered and welcome continued engagement from authorities as policy development progresses.

As part of wider discussions surrounding consumption tax reform, companies are closely monitoring potential downward shifting of the point of tax collection within the supply chain. Businesses note that any future changes could have important implications for pricing structures, distribution models and long-term investment planning

7 Announcement on Issuing 50 National Food Safety Standards Including the National Food Safety Standard-General Rules for the Labelling of Prepackaged Foods (GB 7718-2025) and 9 Amendments (关于发布《食品安全国家标准 预包装食品标签通则》, ' National Health Commission of the People's Republic of China, March 2025.

across parts of the food and beverage sector, particularly for imported premium consumer products.

Clarity surrounding the direction, scope and implementation timelines of any future reforms would support their smooth adoption. Businesses also note the importance of continued dialogue with industry during the drafting and rollout process to help ensure that implementation remains practical and predictable for companies operating within China's consumer market.

British companies are committed to long-term investment in China's food and beverage sector and support efforts to strengthen market governance and regulatory transparency. Greater visibility surrounding future reforms would help companies plan more effectively while supporting stable participation in the China market.

Recommendations:

- Continue engagement with industry stakeholders during the development and implementation of consumption tax reforms;
- Provide greater clarity on the scope, direction and implementation timelines of potential reforms;
- Ensure companies are provided sufficient time to adapt pricing, distribution and compliance systems following any future policy adjustments.

3 ADDRESS CUSTOMS AND REGULATORY CHALLENGES AFFECTING PORK IMPORTS

British pork producers welcomed the start of reopening of the Chinese market to UK pork exports in late 2024, with two sites re-approved after facing COVID-19 restrictions. China purchased approximately GBP 180 million's (RMB 1.66 billion) worth of UK pork in 2023, making it the UK's largest non-EU export market for pork products.[8] Industry estimates suggest the reopening of the market could support an additional GBP 80.0 million to UK exports.

As trade resumes, companies are seeking greater clarity and consistency around customs registration, facility approvals and implementation procedures linked to the General Administration of Customs of China (GACC)'s *Order No. 280 on Overseas Food Manufacturer Registration.*[9] While businesses support efforts to strengthen food safety oversight and traceability, companies note that implementation processes surrounding registration renewals, facility updates and approval timelines can foster uncertainty for exporters operating in the market.

Some companies report uncertainty surrounding how different facilities, including cold storage and processing sites, are classified and approved within the registration system. Businesses note that clearer implementation guidance and more consistent application across customs authorities would help support operational expansion, improve supply chain efficiency and provide greater confidence for companies investing in long-term export relationships with China.

Companies also note that UK producers can only currently export frozen pork in to China, meaning other products including processed products containing pork continue to face restrictions affecting product eligibility and import approvals. Greater clarity and continued engagement with industry on requirements for these would support broader product choice for Chinese consumers and create further opportunities for UK food exporters.

British businesses support continued cooperation between regulators and industry to maintain stable trade, strengthen food safety and support long-term growth in bilateral agricultural trade.

Recommendations:

- Continue engagement with industry on the implementation of *GACC Order No. 280* and overseas facility registration procedures;
- Provide clearer guidance on facility classifications, registration updates and approval timelines for exporters;
- Support more consistent implementation of customs and approval procedures across ports and regulatory authorities;
- Continue discussions with industry on requirements affecting pork containing processed products and future market access opportunities.

8 'Coverage following British unprocessed pork exports to China resuming', Defra Press Office, December 2024

9 Order of the General Administration of Customs of the People's Republic of China (No. 280) - Regulations on the Registration of Overseas Manufacturers of Imported Food (中华人民共和国海关进口食品境外生产企业注册管理规定 海关总署令第280号),'General Administration of Customs of the People' , October 2025

HEALTHCARE

SUB-SECTORS

Healthcare Services

Over-the-counter (OTC) Medicines

Pharmaceuticals

Medical Devices

OUR POSITION

1. Accelerate access and approvals for innovative medicines and medical devices
2. Develop commercial health insurance and innovative payment frameworks
3. Support predictable frameworks for local manufacturing investment
4. Reform OTC packaging and labelling frameworks to support self-care and consumer healthcare development
5. Strengthen pharmaceutical intellectual property protection frameworks
6. Support development of electronic labelling and instructions frameworks for healthcare products
7. Expand access to adult immunisation
8. Support integrated comorbidity management for chronic diseases
9. Improve rare disease treatment access and reimbursement frameworks
10. Support clearer implementation frameworks for cell therapy and radiopharmaceutical innovation
11. Support fair and predictable procurement frameworks for medical devices
12. Improve alignment of medical device classification frameworks with international risk-based practice

STATE OF THE SECTOR

LOOKING BACK

Optimism among British healthcare companies operating in China more than doubled over the past year, making healthcare one of the Chamber's most optimistic sectors despite a more difficult business environment overall. Much of this reflects growing confidence in the long-term direction of China's healthcare and life sciences sectors as healthcare becomes more strategically important within China's economic planning.

China is increasingly viewed not only as a major healthcare market, but as a globally significant centre for pharmaceutical innovation. The speed, scale and cost-efficiency of China's biotech ecosystem are attracting growing international attention, while licensing partnerships between Chinese and multinational pharmaceutical companies have accelerated rapidly over the past two years. British healthcare companies are increasingly investing, partnering and expanding research activity within China rather than viewing the market solely as a destination for sales.

China's efforts to modernise and expand its healthcare sector are also driving gradual regulatory reform across parts of the industry. Faster approval timelines for innovative medicines and vaccines, alongside discussion surrounding Over-the-Counter (OTC) classification reform and switching pathways, have been welcomed as signals that policymakers are open to improving market access. Companies now hope to see these reforms translated into clearer and more consistent implementation measures across the healthcare system.

Optimism is not uniform across the sector. China's push for localisation and supply chain resilience continues to reshape investment decisions, particularly in medical devices and manufacturing. While many British companies are expanding local production and supply chain operations, issues such as procurement implementation and API taxation can still complicate long-term investment planning.

LOOKING FORWARD

British healthcare companies expect China's healthcare market to continue expanding as demographic pressures increase demand for medicines, healthcare services and preventative care. Prevention and chronic disease management are expected to receive growing policy attention as China looks to manage long-term healthcare pressures more efficiently.

China's rapidly developing biotech sector is also creating new opportunities for collaboration between British and Chinese healthcare companies. British firms increasingly see opportunities to partner with Chinese companies on research, clinical development and commercialisation as China's innovation ecosystem continues to mature.

Continued progress on regulatory predictability and implementation consistency will remain important in supporting long-term investment. British healthcare companies also continue to support deeper cooperation between UK and Chinese healthcare institutions and regulators.

OUR POSITION

OVERALL CHALLENGES

1 ACCELERATE ACCESS AND APPROVALS FOR INNOVATIVE MEDICINES AND MEDICAL DEVICES

China's growing capability in healthcare innovation comes at a time when an ageing population is increasing demand for treatment of chronic disease, infectious disease, and age-related illness. Faster access to innovative medicines will help improve long-term patient outcomes, and encourage further investment in innovation and R&D from overseas healthcare companies.

The continued expansion of accelerated review pathways and priority approval mechanisms in recent years have helped narrow approval gaps with major international markets and supported China's emergence as an increasingly important global innovation hub. In particular, the approval of innovative vaccines and medical devices from the UK for export to China was also cited positively in the readout from Prime Minister Keir Starmer's visit to China in January, reflecting growing UK-China cooperation in the healthcare sector.[1] Continued progress in this area would further strengthen patient access, healthcare system efficiency and confidence in China's life sciences sector.

At the same time, delays between regulatory approval, reimbursement and hospital adoption can still slow patient access to clinically valuable treatments and disincentivises rollout of innovation within the market. Earlier access to innovative medicines and vaccines could play an important role in addressing major public health challenges, including hepatitis B and diseases associated with ageing populations. Areas such as Shingles, Hepatitis B (HBV), Human Papillomavirus (HPV) vaccination and Respiratory Syncytial Virus (RSV) prevention also highlight how prevention-first and innovative vaccines can support healthier ageing outcomes in adults, reducing long-term pressure on hospitals and strengthen healthcare system resilience.

Medical devices also remain an important part of the innovation access agenda. While China's innovative medical device pathway has developed significantly over the past decade, businesses report that some imported devices with strong clinical value can still face barriers to access in innovations. In particular, the current requirement for applicants seeking innovative medical device review to have their core invention patents granted within five years may prevent certain products from qualifying despite their continued technological relevance and clinical benefit. Companies also note that inconsistencies between NMPA product naming conventions and NHSA coding

1 'Prime Minister visit to China: trade and investment factsheet,' Department of Business and Trade, January 2026

frameworks can create additional obstacles for commercialisation and reimbursement, particularly where innovative devices are required to adopt the same naming codes as conventional products despite offering differentiated clinical outcomes.

Over-the-counter (OTC) medicines also have an important role to play in prevention-focussed healthcare and the management of common and chronic conditions. Some companies report that internationally established OTC medicines with long records of safe overseas use can still face lengthy approval timelines before reaching the Chinese market, slowing consumer access and limiting product choice.

Recommendations:

- Continue expanding accelerated review and approval pathways for innovative medicines addressing major public health burdens;
- Speed up reviews for functional cures for hepatitis B can significantly reduce the risk of progression to liver cancer.[2] This accounts for more than 84% of China's RMB 240 billion annual liver cancer treatment cost;[3]
- Encourage global parallel development of vaccines by aligning China's clinical trial and manufacturing quality standards with international benchmarks, and expedite review for vaccines that have already obtained regulatory approval in ICH member countries;
- Accelerate review pathways for adult RSV vaccines, guided by a 'clinical value-oriented' review;
- Speed up coordination between regulatory approval, reimbursement and hospital adoption pathways to improve patient access to innovation;
- Streamline approval pathways for internationally established OTC medicines;
- Publish OTC-specific technical guidelines, simplify registration and approval processes;
- Promote the evidence-based switch of suitable prescription medicines to OTC status to foster a healthy, high-quality market.

2 'Guidelines for the Prevention and Treatment of Chronic Hepatitis B (Version 2022 / 慢性乙型肝炎防治指南(2022年版)),' Chinese Society of Hepatology & Chinese Society of Infectious Diseases, Chinese Medical Association, December 2022

3 'The population-level economic burden of liver cancer in China, 2019–2030: prevalence-based estimations from a societal perspective,' National Library of Medicine (National Centre for Biotechnology Information), July 2022

2 DEVELOP COMMERCIAL HEALTH INSURANCE AND INNOVATIVE PAYMENT FRAMEWORKS

China's ageing population and rising demand for innovative healthcare treatments are increasing pressure on public healthcare financing systems. Commercial health insurance is expected to play a larger role in improving access to innovative medicines while supporting long term healthcare system sustainability and development of China's life sciences sector.

Recent expansion of supplementary healthcare insurance schemes and pilot reimbursement models across parts of China has been positive, including the continued development of Huiminbao schemes.[4] These programmes are helping broaden patient access to innovative medicines and creating new payment pathways supporting healthcare innovation.

Despite this, implementation remains uneven across different regions and insurance schemes. Companies report that inconsistent reimbursement standards, limited data sharing and varying levels of coverage for innovative medicines can restrict patient access and reduce effectiveness of commercial insurance frameworks. Businesses also note that current 'one-size-fits-all' approaches within some schemes do not always reflect differing patient needs or levels of healthcare demand.

More consistent and predictable commercial insurance frameworks would improve patient access to innovative treatments, support earlier intervention and encourage further healthcare investment and innovation rollout within China. Beyond city-level schemes such as Huiminbao, further development of commercial health insurance will be important as China continues to build a multi-tiered healthcare financing system.

Recommendations:

- Strengthen coordination between healthcare, financial regulation and insurance authorities to support development of commercial health insurance frameworks;
- Expand reimbursement pathways and coverage for innovative medicines through supplementary insurance schemes, including Huiminbao;
- Encourage more flexible and tiered insurance models reflecting differing patient needs and treatment costs;
- Integrate adult vaccination, such as shingles, into Huiminbao value added service packages as a preventive health benefit through service vouchers, loyalty point redemption or copayment arrangements. This aims to enhance population health, reduce longterm hospitalisation costs and support multitiered health insurance systems;
- For innovative medical devices based on technologies that have not yet been commercialised, place greater emphasis on how intellectual property can be translated into products with meaningful clinical value rather than relying primarily on the number of years since the core patent was granted;
- Improve alignment between regulatory product naming and medical insurance coding frameworks for innovative medical devices, including more efficient pathways for product code recognition, pricing differentiation and reimbursement consideration where appropriate;
- Improve data sharing mechanisms between healthcare, medical insurance and commercial insurance systems while maintaining data security protections.

4 'How can the affordable and high-quality public welfare insurance continue to benefit the people? ("物美价廉"的惠民保如何持续 "惠民"?', GMW.CN (光明网), July 2023

3 SUPPORT PREDICTABLE FRAMEWORKS FOR LOCAL MANUFACTURING INVESTMENT

China's growing focus on healthcare manufacturing, supply chain resilience and localisation is seeing lots of inward investment from overseas companies. Companies are continuing to expand manufacturing, research and supply chain operations in China, particularly in areas supporting long-term domestic production capacity.

However, aspects of the current tariff framework for active pharmaceutical ingredients (APIs) may unintentionally discourage local manufacturing of originator and innovative drugs. While certain finished pharmaceutical products and semi-finished products benefit from preferential tariff treatment, imported APIs used in local manufacturing can still face import duties and additional tariffs, increasing the cost of domestic production.

In some cases, this creates a tariff imbalance where local production becomes more expensive than importing finished pharmaceutical products directly into China. For manufacturers localising production of innovative medicines, this can add substantial operational costs, increase administrative complexity and reduce incentives for companies assessing China as a regional manufacturing and supply chain hub.

This is particularly relevant as China continues encouraging localisation of innovative pharmaceutical manufacturing through broader foreign investment and industrial policy frameworks. Greater alignment between localisation objectives and pharmaceutical tariff policies would help support continued investment in manufacturing capacity, supply chain resilience and higher-value healthcare production within China.

Recommendations:

- For originator and innovative drugs already transferred to production in China, exempt import tariffs on APIs for self-use and set a temporary tariff rate of 0%;
- Exempt import API tariffs to support new domestic manufacturing investment that transfers the import originator and innovative drug to local production model;
- Exempt the additional tariffs on the US-made APIs for businesses that transfer originator and innovative drug to domestic production.

OVER-THE-COUNTER (OTC) MEDICINES

4 REFORM OTC PACKAGING AND LABELLING FRAMEWORKS TO SUPPORT SELF-CARE AND CONSUMER HEALTHCARE DEVELOPMENT

As China places greater focus on prevention, healthy ageing and self-care, over-the-counter (OTC) medicines are expected to play a larger role in supporting long-term healthcare sustainability. More developed OTC frameworks can help reduce pressure on healthcare systems by enabling consumers to manage common conditions more effectively.

Clear and effective packaging, branding and consumer communication frameworks remain important in supporting informed healthcare decisions and consumer confidence. Current OTC packaging and labelling requirements can, however, limit product differentiation and reduce flexibility around brand presentation and consumer communication. In some cases, limited flexibility around packaging and brand presentation can also make it harder for consumers to identify internationally recognised healthcare products and trusted brands, particularly where product presentation differs substantially from other major markets.

More modern and consumer-focused OTC frameworks could strengthen consumer understanding, support development of China's consumer healthcare market and encourage greater use of self-care products. Over the longer term, wider use of OTC medicines could also help reduce pressure on healthcare systems by enabling consumers to manage conditions more effectively.

Recommendations:

- Revise current labelling requirements that restrict trademark size (not exceeding 1/4 of the generic name's font area), which undermines brand differentiation and encourages generic competition;
- Adopt international practices allowing brand names and proprietary marks to be displayed more prominently than using generic names, design, colour and layout to enhance brand recognition and consumer choice;
- Grant companies greater flexibility on packaging to build trusted brand identities that signal quality, safety, and efficacy commitments to consumers, thereby encouraging innovation and investment.

PHARMACEUTICALS

5 STRENGTHEN PHARMACEUTICAL INTELLECTUAL PROPERTY PROTECTION FRAMEWORKS

China has made significant progress in strengthening intellectual property (IP) protection in recent years, which has helped improve business confidence and support continued investment in innovative medicines and biopharmaceutical research.

As China continues encouraging high-value pharmaceutical innovation and localisation of original research drug development, further refinement of IP protection frameworks would help strengthen regulatory predictability and support long-term research and development investment. This is particularly important in innovative drug development, where long research timelines, high development costs and significant commercial risks require stable and predictable protection systems.

While implementation of the pharmaceutical patent term compensation system has been welcomed by industry, current protection during the compensation period remains limited to individual approved indications. Broader molecule-based protection covering approved indications would provide greater consistency with the original objectives of the system and strengthen incentives for continued pharmaceutical innovation.

Further improvement of the pharmaceutical patent dispute early resolution mechanism would also support a more predictable innovation environment. Clearer treatment of Type III declarations and supplementary applications would help reduce uncertainty surrounding market entry and patent enforcement. Businesses also support extending aspects of the framework to biological medicines where appropriate.

Industry members continue to highlight the importance of strengthening pharmaceutical trial data protection systems and ensuring greater consistency between IP protection, market access and procurement frameworks. More coordinated implementation across administrative, judicial and procurement systems would help support fair competition and long-term investment in innovative medicines.

Recommendations:

- Further refine pharmaceutical patent term compensation frameworks, including broader molecule-based protection covering approved indications;
- Improve early resolution mechanisms for pharmaceutical patent disputes, clarify treatment of Type III declarations and supplementary applications, and expand applicability to biological medicines where appropriate;
- Regulate the filing of patent invalidation requests to curb "malicious invalidation" that targets the innovative drug industry;
- Strengthen consideration of IP protections within centralised procurement and market access frameworks where patent disputes remain unresolved;
- Improve consistency and mutual recognition mechanisms across regional patent infringement rulings and administrative decisions.

6 SUPPORT DEVELOPMENT OF ELECTRONIC LABELLING AND INSTRUCTIONS FRAMEWORKS FOR HEALTHCARE PRODUCTS

China has continued exploring reforms supporting greener and more digitally integrated healthcare systems, including discussion surrounding electronic labelling and electronic instructions for healthcare products. Continued progress in this area would support broader sustainability objectives while helping modernise healthcare communication systems across both medicines and medical devices. In the medical device sector in particular, the expansion of electronic instructions for use (eIFU) would be especially relevant for products used primarily by trained healthcare professionals, who already have the clinical knowledge and operating context needed to use digital instructions safely and effectively.

Current paper-based leaflet and instructions requirements can create operational complexity and reduce flexibility when updating product, safety and technical information. More developed electronic labelling frameworks could improve accessibility and efficiency while supporting faster updates to product information and reducing unnecessary packaging and paper usage. Furthermore, eIFUs could help ensure that the most up-to-date operating, maintenance and safety information is available to healthcare professionals in clinical settings, while reducing the practical burden associated with paper instructions for products used in hospitals and other professional environments.

Several international healthcare markets have already introduced or expanded electronic instructions and digital product information systems for medicines and medical devices, including pathways for certain professional-use devices where instructions are primarily intended for trained users. Greater alignment with international practices could help support greener healthcare systems, improve regulatory efficiency, and strengthen accessibility for both patients and healthcare professionals.

Industry has welcomed previous pilot programmes and regulatory discussion surrounding electronic labelling reforms, but further progress on implementation frameworks, technical standards and regulatory pathways would support wider adoption across the healthcare sector. A phased approach could begin with categories of medical devices used by healthcare professionals, where the case for electronic instructions is already relatively strong, before expanding more broadly in line with experience and risk-based assessment.

Recommendations:

- Accelerate development of electronic labelling and electronic instructions frameworks for medicines and medical devices, including eIFUs for appropriate categories of professional-use medical devices;
- Clarify implementation pathways and regulatory requirements supporting wider adoption of electronic healthcare product information systems;
- Establish clearer technical standards and data frameworks supporting consistency and interoperability across the healthcare sector;
- Support phased implementation and pilot programmes aligned with international regulatory practices and sustainability objectives, including early expansion to medical devices used primarily by trained healthcare professionals.

7 EXPAND ACCESS TO ADULT IMMUNISATION

China's growing focus on prevention and healthy ageing is increasing attention on the role adult immunisation can play in reducing long-term healthcare burdens. As rates of chronic disease and age-related illness continue to rise, wider uptake of adult vaccines could help improve public health outcomes, reduce pressure on hospitals and support long-term healthcare system sustainability.

While China's childhood immunisation programme is highly developed, with an extensive nationwide vaccination network already in place, adult vaccination pathways remain comparatively underdeveloped and continue to rely largely on individual initiative. Stronger adult immunisation frameworks could support broader prevention-focused healthcare objectives and improve protection for vulnerable and high-risk populations.

Recent efforts by Chinese regulators to accelerate review timelines for innovative medicines and vaccines have helped improve access to clinically valuable healthcare products. Continued expansion of accelerated approval pathways for adult vaccines, combined with stronger coordination between regulatory approval, reimbursement and healthcare adoption systems, would support earlier access and improve healthcare resilience.

Adult vaccination also has an increasingly important role in protecting populations living with chronic disease and comorbidities. Areas such as Shingles, Hepatitis B (HBV), Respiratory Syncytial Virus (RSV) and Human Papillomavirus (HPV) vaccination demonstrate how earlier access to innovative vaccines can support healthier ageing outcomes and help reduce long-term healthcare system costs. [5 6 7]

Recommendations:

- Expand accelerated review and approval pathways for adult vaccines supporting prevention and healthy ageing objectives;
- Strengthen coordination between regulatory approval, reimbursement and healthcare adoption pathways for adult vaccines;
- Establish a national framework under Healthy China and Prevention-Treatment Integration (PTI) to embed adult immunisation into clinical services, supported by standardised technical guidelines and implementation protocols for vaccine point setup, operational workflows, and oversight mechanisms;
- Promote the practice of vaccine health recommendations. Allowing general practitioners (GP) and family doctors to recommend vaccine health is an effective and feasible strategy to increase adult vaccination rates;
- Strengthen training for GPs in vaccination procedures to improve their preventive service capabilities and implement appropriate incentive mechanisms;
- Leverage digital tools to achieve information connectivity for prescriptions, points of vaccination (POV) and the disease control system to improve adult vaccination rates.

8 SUPPORT INTEGRATED COMORBIDITY MANAGEMENT FOR CHRONIC DISEASES

As one of China's four major chronic diseases, diabetes continues to place growing pressure on healthcare systems and is increasingly associated with a range of secondary conditions and comorbidities.[8] Long-term hyperglycaemia can weaken immune system function and increase vulnerability to infection, creating more complex long-term healthcare management challenges for ageing populations. [9]

Clinical studies have shown that diabetic patients face significantly higher risks of developing shingles compared to non-diabetic populations, with risks increasing further when combined with cardiovascular conditions such as hypertension and hyperlipidaemia.[10] Shingles infections can also contribute to worsening blood glucose control, creating more complex cycles of chronic disease progression and long-term patient management. Diabetic patients additionally face higher risks of post-herpetic neuralgia (PHN), with pain symptoms in some cases lasting for months or years.

China currently faces dual challenges of more than 233 million diabetic patients and over 6 million new shingles cases annually.[11] As demographic pressures continue to intensify, stronger integration between chronic disease management, prevention and vaccination strategies could help improve long-term patient outcomes while reducing pressure on hospitals and healthcare systems.

More integrated comorbidity management frameworks would support earlier intervention and encourage closer coordination between endocrinologists, community healthcare providers, pharmacies and family doctors. Greater integration of prevention and vaccination within chronic disease management pathways could also strengthen healthcare system efficiency and support broader healthy ageing objectives.

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5 'Safety and efficacy of respiratory syncytial virus vaccination in older adults: systematic review and meta-analysis of randomised controlled trials', JMIR Public Health and Surveillance, December 2025

6 'Expert: 'Vaccine hesitancy' is widespread; vaccine prescriptions enable the deep integration of clinical diagnosis and treatment with disease prevention （专家："疫苗犹豫"普遍，疫苗处方让临床诊疗与疾病预防深度融合）'， The Beijing News, December 2025

7 'Opinions of the General Office of the State Council on Comprehensively Deepening Reforms in the Regulation of Medicines and Medical Devices and Promoting High-Quality Development of the Pharmaceutical Industry (国务院办公厅关于全面深化药品医疗器械监管改革促进医药产业高质量发展的意见)', National Medical Products and Administration, January 2025

8 'Risk and impact of herpes zoster on patients with diabetes: A population-based study, 2009–2014,' National Library of Medicine (National Center for Biotechnology Information), September 2017

9 'The incidence of herpes zoster in patients with diabetes mellitus,' National Library of Medicine (National Center for Biotechnology Information), April 2021

10 'Risk and impact of herpes zoster on patients with diabetes: A population-based study, 2009–2014,' National Library of Medicine (National Center for Biotechnology Information), September 2017

11 'Prevalence of Herpes Zoster and Its Influencing Factors in the Chinese Population,'(中国人群带状疱疹患病率及影响因素), Chinese Journal of Epidemiology, July 2025

Recommendations:

- Implement a 'Diabetes-Shingles' co-management strategy, incorporating shingles vaccine prevention into comprehensive diabetes management protocols and vaccinating eligible diabetic patients during stable blood sugar periods;
- Incorporate shingles vaccination into routine diabetes management protocols, including clinical reminders for endocrinologists and annual risk assessments for diabetic patients over 50 years old;
- Pilot integrated care programmes in selected provinces that bundle diabetes management with shingles and influenza vaccination, supported by performance-based incentives for primary care providers;
- Support transition from single-disease treatment models towards integrated comorbidity management approaches for patients living with multiple chronic conditions;
- Strengthen integration of prevention and vaccination strategies within community-level chronic disease management and primary healthcare systems;
- Improve public awareness of comorbidity risks associated with chronic disease and the role prevention can play in reducing long-term healthcare burdens;
- Further clarify the role and positioning of pharmacies and pharmacists in chronic disease prevention and control and fully leverage the complementary role of retail pharmacies in chronic disease prevention and management.

9 IMPROVE RARE DISEASE TREATMENT ACCESS AND REIMBURSEMENT FRAMEWORKS

China has continued to strengthen rare disease prevention and treatment systems in recent years, including through expansion of diagnosis and treatment networks, accelerated review pathways and broader policy focus on comprehensive rare disease management. The 2026 *Government Work Report's* emphasis on strengthening rare disease prevention and treatment is therefore viewed positively across the sector.[12]

Despite this progress, access challenges remain following regulatory approval of rare disease therapies. Hospital procurement, reimbursement assessment mechanisms and payment systems can continue to affect the availability and long-term sustainability of treatment for rare disease patients. For many patients and families, delays in hospital access and limited reimbursement coverage can create financial and treatment burdens despite therapies already receiving regulatory approval.

Rare disease medicines often face unique commercial and operational challenges due to small patient populations, high research and development costs, and limited treatment alternatives. Existing hospital assessment and payment frameworks can create additional barriers for healthcare institutions seeking to provide access to high-value rare disease medicines, particularly where products are assessed against broader cost-control indicators or Diagnosis Related Group (DRG) and Diagnosis-Intervention Packet (DIP) payment systems.

Addressing these challenges would help improve treatment availability and support more consistent patient access following approval. Further refinement of reimbursement and funding systems for rare disease medicines could also help reduce financial burdens on patients while supporting long-term innovation and sustainable market access.

Recommendations:

- Further streamline hospital access pathways for rare disease medicines and establish clearer green channel mechanisms supporting timely hospital procurement and clinical use;
- Exempt rare disease medicines from broader hospital cost-control metrics, including product specification limits, drug proportion controls and average cost per visit assessments;
- Exclude rare disease-related diagnosis and treatment costs from DRG/DIP payment evaluations and broader medical insurance budget assessments where appropriate;
- Strengthen reimbursement and funding mechanisms for rare disease medicines, including exploration of dedicated national rare disease support frameworks and longer-term reimbursement arrangements supporting patient access to high-clinical-value therapies.

12 'Report on the Work of the Government,' The State Council of The People's Republic of China, March 2026

10 SUPPORT CLEARER IMPLEMENTATION FRAMEWORKS FOR CELL THERAPY AND RADIOPHARMACEUTICAL INNOVATION

China's cell therapy and radiopharmaceutical sectors are developing rapidly, with growing attention on advanced therapies and next-generation cancer treatment technologies. Recent regulatory developments such as State Council *Decree No. 818*, including the forthcoming implementation of the Regulations on the Administration of Clinical Research and Clinical Translation and Application of New Biomedical Technologies (State Council Decree No. 818), are viewed positively and are expected to support more standardised development across the sector.[13]

As implementation progresses, clearer operational pathways and supporting guidance will remain important for companies undertaking clinical research, translation and commercialisation activities in China. In particular, businesses are seeking greater clarity around implementation standards, filing procedures and regulatory timelines linked to cell therapy development under the new framework.

Radiopharmaceuticals are also attracting increasing attention as part of the development of new anti-tumour therapies. Investigator-initiated trials (IITs) continue to play an important role in supporting early-stage research and clinical development in this area. More tailored regulatory guidance could help support research consistency, patient safety and longer-term innovation within the radiopharmaceutical sector.

Recommendations:

- Expedite publication of supporting implementation rules and operational guidance for cell therapy development under State Council *Decree No. 818*;
- Clarify filing procedures, implementation pathways and regulatory timelines supporting clinical translation and application of cell therapies;
- Develop dedicated regulatory guidance for investigator-initiated trials (IITs) involving radiopharmaceuticals;
- Support clear and predictable regulatory frameworks encouraging long-term innovation in advanced therapies and radiopharmaceutical development in China.

13 'Decree No. 818,' The State Council of The People's Republic of China, September 2025

MEDICAL DEVICES

11 SUPPORT FAIR AND PREDICTABLE PROCUREMENT FRAMEWORKS FOR MEDICAL DEVICES

China's continued focus on healthcare localisation and supply chain resilience is encouraging greater investment in domestic medical device manufacturing. British healthcare companies continue to expand manufacturing and supply chain operations in China as global healthcare supply chains adapt to growing geopolitical and trade pressures.

At the same time, procurement and localisation frameworks remain an area of uncertainty for some companies. Medical device manufacturing often relies on globally integrated supply chains and specialised components which can be difficult to localise rapidly. Businesses report that inconsistent implementation of localisation requirements and procurement standards across different regions can complicate long-term investment, manufacturing and supply chain planning.

Clearer definitions, more predictable implementation and appropriate transition periods would help support continued overseas investment while aligning with China's broader objectives around healthcare innovation, advanced manufacturing and supply chain resilience.

Greater consistency between national policy objectives encouraging foreign investment and implementation at the local level would also help support stable supply of innovative medical technologies to healthcare providers and patients across China.

Recommendations:

- Support fair and non-discriminatory treatment of medical devices within procurement and market access frameworks regardless of ownership structure or global manufacturing model;
- Provide clearer definitions and implementation guidance surrounding localisation and "domestic product" requirements within procurement frameworks;
- Recognise the complexity of global medical device supply chains when developing localisation standards and implementation timelines;
- Improve consistency of procurement and localisation implementation across different regions and authorities.

12 IMPROVE ALIGNMENT OF MEDICAL DEVICE CLASSIFICATION FRAMEWORKS WITH INTERNATIONAL RISK-BASED PRACTICE

Medical device classification remains an important determinant of registration requirements, clinical evaluation expectations and overall market access timelines. Where classification frameworks diverge significantly across major markets, companies can face substantial differences in the evidence and procedural requirements needed to register the same product in China compared with other regulated jurisdictions.

Businesses report that the classification of some medical devices in China can be higher than in many other regulated markets. In practice, this may result in the same product being subject to more complex technical dossier requirements and more stringent clinical evaluation expectations in China. For example, products classified as Class IIa or IIb in the European Union may in some cases be categorised as Class III in China, increasing the regulatory burden even where the underlying technology and risk profile are broadly comparable.

These differences can have important practical implications. Products that may not require additional clinical studies in other markets can, in some cases, be required to undertake local clinical trials in China, adding cost and time for businesses while also increasing demands on regulatory and clinical review resources. Greater alignment with international risk-based classification practice would help improve regulatory efficiency, support more predictable registration pathways and facilitate earlier patient access to established technologies.

Recommendations:

- Continue refining the dynamic adjustment of the medical device classification catalogue and strengthen alignment of risk levels with international standards, including consideration of internationally recognised classification frameworks such as those developed by The International Medical Device Regulators Forum (IMDRF);
- Provide clearer operational guidance for products that are classified as lower-risk in other major markets but Class III in China, including greater flexibility during clinical evaluation where appropriate. Where no local predicate exists, consider whether an internationally marketed equivalent product could, in suitable cases, support clinical evaluation report development rather than automatically requiring new local clinical trials.

LEGAL SERVICES

OUR POSITION

1. Streamline the approval process for appointing new representatives
2. Continue to advance the joint law office model in the Shanghai Free Trade Zone
3. Eliminate the unfair tax treatment of foreign law firms by allowing them to structure as partnerships
4. Permit foreign law firms to practise Chinese law on a trial basis in non-sensitive areas
5. Permit foreign law firms to participate in government meetings with their clients
6. Allow foreign lawyers and trainees to use business visas for secondments in China offices

STATE OF THE SECTOR

LOOKING BACK

Over the past year, British legal services firms have reported a more optimistic outlook, driven in part by the alignment between the capabilities of UK firms and China's strategic push for companies to expand internationally. This is reflected in the Chamber's *Business Sentiment Survey 2025-2026*, where optimism among legal services firms rose from 26% to 86% year-on-year.[1]

However, this sits alongside persistent and, in some cases, worsening operational challenges. While there are growing opportunities from Chinese overseas direct investment and Hong Kong IPOs, UK firms are facing growing competition from Chinese law firms, and the regulatory environment creates uneven challenges in different regions.

China's push for companies to grow overseas is encouraging businesses to invest in overseas markets, raise capital, and navigate increasingly complex global regulatory environments, creating demand for high-quality international legal expertise that British firms can offer. Some member companies report opportunities in supporting Chinese clients across outbound investment, cross-border transactions, and listings in markets such as Hong Kong. Some firms have also reported increased engagement as certain international competitors take a more cautious approach to China-related work.

In this context, stronger UK-China collaboration in the legal services sector is a welcome development. Recent high-level engagement, including the Prime Minister's visit and the resumption of formal dialogue, such as the Economic and Financial Dialogue (EFD) and the Joint Economic and Trade Commission (JETCO), reflects a growing awareness by both the British and Chinese governments as to the valuable role that law firms play as conduits for foreign investment.[2] British legal services firms are well positioned to support Chinese companies in their global ambitions, and continued progress on market access in the legal services sector will be important in enabling them to do so effectively.

However, asymmetric treatment, both in regulatory and administrative terms, still puts UK firms at a competitive disadvantage relative to Chinese law firms which continue to develop their international capabilities and are increasingly competing directly with UK firms both domestically and in third markets. That said, the Chamber's *Business Sentiment Survey 2025-2026* demonstrated belief among law firms that government-to-government dialogue has the potential to mitigate these market access imbalances.

FUTURE OPPORTUNITIES

Looking ahead, demand from Chinese companies for international legal support is expected to continue to grow, alongside the scale and complexity of their global activities. As businesses expand into new markets, pursue listings, and manage cross-border risk, the nature of legal support required is also evolving. British law firms are well placed to respond to this shift, offering international expertise, multi-jurisdictional capabilities, and a reputation for trusted and independent advice. This represents a clear area of mutual benefit, where UK legal services can support China's global ambitions while deepening commercial ties between the two countries.

However, longstanding market access constraints continue to limit the extent to which British firms can fully support their Chinese clients accessing new markets internationally. Similarly, a stronger presence of international law firms in China will further facilitate increased levels of foreign direct investment (FDI) into the country. International investors are far more likely to enter and invest in new markets when they can rely on their trusted legal advisors for support. An improved operating environment in China's legal services sector can help to restore confidence in foreign law firms, and in the long run can contribute to reversing the decline in FDI, which fell by 7.3% year-on-year in the first quarter of 2026.[3]

1 'British Business in China: Sentiment Survey 2025-2026', British Chamber of Commerce in China, December 2025

2 'Secretary of State for Business and Trade Visit to China Factsheet', Department for Business and Trade, September 2025

3 'China Foreign Direct Investment Year on Year', Trading Economics, May 2026

OUR POSITION

1 STREAMLINE THE APPROVAL PROCESS FOR APPOINTING NEW REPRESENTATIVES

UK law firms continue to face lengthy and inconsistent approval processes when appointing new representatives to their China offices. Firms have reported that approvals take on average 12 months and up to 18 months in extreme cases. Applications require review at multiple administrative levels and firms have limited visibility on timelines or progress. While local bureaus of justice across China are relatively quick to approve new registrations, we understand that the delays generally sit with the Ministry of Justice. Law firms have also reported inconsistent requirements for required documentation across cities.

These delays create operational uncertainty and compliance concerns for firms given the requirement that each office must have a chief representative in place at all times. This also generates additional costs for the firms to resettle lawyers while they are waiting to be registered. The registration process would also benefit from greater transparency, with the central authorities providing very limited information on the progress of applications.

More recently, it has been encouraging to see that the State Council has announced new changes to the approval process for foreign lawyers registering as representatives in Shanghai. For lawyers that move from one foreign law firm in Shanghai to another, authority for approving the new representatives will temporarily be delegated to the Shanghai Municipal Bureau of Justice.[4] If successful, wider application of this to new registrations and beyond Shanghai would greatly improve the ease of doing business in the country.

More streamlined and transparent procedures like this would support greater integration between China and global legal services networks, whilst strengthening China's attractiveness as a destination for international professional services investment.

Recommendations:

- Transfer authority for approving new registrations to bureaus of justice across China, including for new representatives. Alternatively, appoint more officials at the Ministry of Justice to handle registration matters;
- Establish standard timelines for each stage of the approval process and provide regular status updates to applicants and shorten the overall process where possible;
- Standardise the documentation required to register across cities;
- Reduce the years of experience required to qualify as a chief representative in China.

2 CONTINUE TO ADVANCE THE JOINT LAW OFFICE MODEL IN THE SHANGHAI FREE TRADE ZONE

The Joint Law Office (JLO) model remains an important platform for cooperation between Chinese and international law firms, particularly as Chinese companies continue to expand globally and require increasingly sophisticated cross-border legal support. The Chamber welcomes recent UK-China dialogue on legal services, including continued discussions on the future development of the JLO model, alongside the resumption of approvals for UK firms establishing new JLOs over the past two years.

Despite this progress, regulatory barriers continue to limit the effectiveness and scalability of JLOs in practice. Current requirements surrounding firm size, years of operation, and representative office establishment create high entry thresholds for participation. Restrictions on areas such as operating joint bank accounts and sharing office space also limit operational integration once partnerships are established.

4 'Reply of the State Council on Agreeing To Temporarily Adjust The Implementation of the Relevant Administrative Regulations in Shanghai (国务院关于同意在上海市暂时调整实施有关行政法规规定的批复),' The State Council, April 2026

These constraints reduce the ability of British and Chinese firms to build deeper collaborative platforms capable of supporting clients across multiple jurisdictions. Greater flexibility within the JLO framework would encourage further investment by UK firms in China and support stronger UK-China cooperation in legal and professional services.

Recommendations:

- Reduce the minimum required number of lawyers that the Chinese partner in a JLO must employ;
- Remove or reduce the requirement that the foreign firm must have already operated in China for three years through a representative office before being permitted to form a JLO;
- Permit all JLOs to open a joint bank account in the firm's name and issue guidance as to how existing JLOs can do so.

3 REMOVE THE DOUBLE TAXATION ON FOREIGN LAW FIRMS

Foreign law firms in China operate as representative offices, which are subject to taxation on both the office's profits and on the individual incomes of representatives and employees. By contrast, Chinese law firms may structure as partnerships and therefore are only taxed once on partnership income, which is at a lower marginal rate than the individual income tax for lawyers at foreign firms. This puts UK law firms at a significant disadvantage, particularly when seeking to attract and retain top-level Chinese lawyers who would otherwise face a much lower rate of tax if employed by a domestic firm.

Allowing foreign law firms to structure as partnerships would align the tax treatment of companies regardless of domicile. Doing so would demonstrate the government's commitment to fairness in the legal sector and encourage investment from international firms to maintain and increase their presence in China.

Recommendations:

- Allow foreign law firms to structure as partnerships, which would align the tax treatment of foreign law firms with domestic law firms.

4 PERMIT FOREIGN LAW FIRMS TO PRACTISE CHINESE LAW ON A TRIAL BASIS IN NON-SENSITIVE AREAS

Chinese and foreign law firms share a common interest in supporting high-quality foreign investment and the internationalisation of China's domestic legal talent. These objectives are both undermined by the restriction on foreign law firms practising Chinese law. Chinese lawyers employed by foreign firms must surrender their practising certificates, limiting them to advising on 'the impact of the Chinese legal environment' and capping their professional growth.

China has indicated a desire to widen its professional services by introducing the Greater Bay Area (GBA) Legal Professional Examination.[5] This development has been well received by international law firms. However, as GBA-qualified lawyers are not permitted to practise Chinese law whilst being employed by the representative office of a foreign law firm in China, and are obliged to apply for a practising license through a Chinese law firm based in one of the GBA's mainland cities, additional employment and confidentiality concerns arise.

Recommendations:

- Introduce a pilot scheme allowing PRC-qualified lawyers to practise Chinese law while employed by a foreign firm in non-sensitive commercial areas such as mergers & acquisitions, investment, funds formation, financial regulatory and anti-trust areas;
- Permit GBA-qualified lawyers employed by foreign law firms to practise Chinese law directly through their firm's representative office, or through a JLO in which their firm participates;
- Simplify the process for GBA lawyers applying to practise Chinese law and give greater consideration to GBA lawyers employed by foreign law firms.

5 'Sixth GBA Legal Professional Examination to be held in September', Hong Kong Department of Justice, April 2026

5 PERMIT FOREIGN LAW FIRMS TO PARTICIPATE IN GOVERNMENT MEETINGS WITH THEIR CLIENTS

Current restrictions limit the ability of foreign law firms to participate in meetings with Chinese government authorities alongside their clients. In practice, this can require companies to engage additional local counsel for procedural reasons, increasing costs and reducing efficiency for clients managing international transactions.

Allowing foreign legal representatives to participate more fully in government discussions relating to their clients would improve coordination, reduce unnecessary complications and costs, and strengthen the role of international legal expertise in supporting Chinese companies operating globally.

Recommendations:

- Allow lawyers from foreign law firms to fully represent their clients before Chinese government agencies.

6 ALLOW TRAINEES AND JUNIOR FOREIGN LAWYERS TO UNDERTAKE SECONDMENTS WITHIN THEIR FIRMS' CHINA OFFICES ON SHORT-TERM WORK VISAS

Currently, all foreign lawyers, including trainees, wishing to do placements in China must do so following the same lengthy registration requirements as permanent hires. Our members report that this limits the connections and flow of talent between the China offices of UK firms and those in the rest of the world.

Allowing junior lawyers and trainees to gain experience in China on short-term business visas would facilitate greater people-to-people exchanges and strengthen the pipeline of foreign lawyers coming to China to gain experience. In the long term, it exposes future lawyers globally to China's legal system, history and culture. The Chamber understands that overseas trainees were previously permitted to come to China on business visas but that this route was closed during the COVID-19 pandemic.

Recommendations:

- Allow trainees and junior foreign lawyers of international law firms to undertake short-term placements in their China offices on business visas rather than registering as representatives.

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