Original Research Article

Compliance risks and countermeasures for Chinese enterprises going global in the new development stage

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Abstract: Against the dual background of global regulatory restructuring and domestic institutional improvement, the international compliance environment has become increasingly stringent. Countries differ significantly in their legal and regulatory systems, labor standards, green regulations, and data protection regimes. Coupled with the industry characteristics of dual domestic and international supervision and penetrating law enforcement, Chinese enterprises face diversified and complex compliance legal risks in cross-border operations. This paper takes Chinese overseas enterprises as the research object, summarizes and sorts out their compliance risks in five major areas: Industrial chain and supply chain security, labor and employment, intellectual property rights, cross-border data, and green trade. Based on current domestic and foreign laws and regulations, it puts forward targeted risk response strategies, including dual-compliance supply chain management, localized employment administration, intellectual property control, cross-border data governance, and green low-carbon transformation.
Keywords: new development paradigm; enterprises going global; compliance risks; cross-border operations; risk prevention and control

1. Introduction

In the new development stage, China's opening-up has been continuously elevated, and an increasing number of Chinese enterprises have gone abroad to conduct international operations such as cross-border trade, overseas manufacturing, cross-border mergers and acquisitions, and technological cooperation. Their overseas businesses cover high-end manufacturing, energy and chemical industry, cross-border e-commerce, engineering construction, intelligent technology, and other sectors. Amid escalating global geopolitical complexity, reshaped international trade rules, and upgraded national regulatory systems, the international compliance landscape has undergone profound changes. Global regulation is currently characterized by legal divergence, stringent scrutiny, and penetrating enforcement, with differentiated access standards set by countries in labor protection, intellectual property rights, data security, environmental protection and low-carbon development, and industrial regulation.

Chinese enterprises operating overseas are subject not only to the local laws and regulations of host countries but also to domestic rules governing industrial security, export control, and data security, forming a dual regulatory framework at home and abroad. At present, most overseas enterprises still retain a traditional extensive operation mindset, lag in compliance system construction, and lack sufficient judgment on legal differences, new regulatory policies, and implicit trade barriers across countries. As a result, they frequently encounter compliance issues such as labor disputes, technological violations, data leaks, environmental penalties, and supply chain inspections. Against this backdrop, systematically sorting out compliance risks for Chinese enterprises going global and establishing a sound risk response system is of great practical significance to ensuring the security of cross-border operations, enhancing international competitiveness, and promoting high-quality development of foreign trade.

2. Compliance risks for Chinese enterprises going global in the new development stage

2.1. Legal risks of industrial chain and supply chain security supervision

Against the backdrop of an upgraded national security strategy, industrial and supply chain security has become a critical national security issue. The Regulations of the State Council on the Security of Industrial Chains and Supply Chains has imposed explicit pre-regulatory constraints on overseas enterprises. Industries included in the List of Key Sectors are subject to strict controls over overseas investment, technology export, and cross-border cooperation. Unauthorized cross-border operations, material exports, or technology transfers may result in administrative penalties, business restrictions, accountability, and rectification.

Most overseas enterprises focus on market access risks in host countries while neglecting domestic compliance obligations for industrial chain security. In cross-border trade, overseas factory construction, and cross-border M&A, failure to assess the domestic List of Key Sectors in advance or complete filing and approval procedures can easily lead to compliance defects, trigger inspections by domestic regulators, and create dual regulatory legal risks.

2.2. Legal risks of labor and employment and local regulatory compliance

Labor systems vary widely worldwide. Most countries align with international labor protection standards and impose mandatory rules on wages, social security, leave, dismissal, and local employment ratios. Labor regulation in Asia is tightening: Vietnam will continuously raise minimum wages and strengthen social security collection and penalties in 2026; Turkey implements a universal mandatory social security system, with regulators able to audit social security contributions retroactively for 3–5 years and impose high costs for illegal dismissal.

Compliance thresholds in Europe keep rising: The EU Pay Transparency Directive mandates differentiated pay reporting and compulsory pay governance and correction; the EU Forced Labor Ban Regulation adopts a broad definition of forced labor and a full-chain product ban with strict investigation procedures, imposing mandatory requirements on product traceability and supply chain labor audits for Chinese exports.

Meanwhile, Chinese enterprises generally apply domestic employment models without sufficient localization adaptation, leading to high employment compliance risks. For example, Indonesia's labor contract system differs significantly from China's, with automatic renewal rules for fixed-term contracts often causing disputes due to cognitive gaps.

2.3. Intellectual property and technology compliance risks

The level of intellectual property protection varies sharply worldwide, with frequent infringement and counterfeiting in Southeast Asia, Africa, and other regions. High-tech exports involving industrial algorithms and intelligent equipment are further subject to domestic export control rules, creating dual compliance pressure.

On the one hand, international intellectual property cooperation and supervision are strengthening: China and South Korea have signed a Memorandum of Understanding on Deepening Cooperation in the Field of Intellectual Property Rights, which includes counterfeit goods governance, AI IP review, and joint crackdowns on malicious trademark squatting, raising cross-border IP compliance standards. Technology, trademark, and trade secret compliance have become mandatory requirements.

On the other hand, cross-border technology licensing is increasingly regulated. Taking Vietnam as an example, patent and trade secret licensing from domestic parent companies to overseas subsidiaries must comply with both Chinese and Vietnamese rules. China requires filing for free-class technologies and export licenses for restricted-class technologies; Vietnam mandates written filing of licensing agreements and prohibits unreasonable restrictive clauses, which may invalidate agreements if violated.

2.4. Data compliance and cross-border flow legal risks

In the digital economy, intelligent manufacturing, cross-border e-commerce, remote operation and maintenance, and supply chain collaboration generate massive operational data, personal information, and supply chain data, making data a core production factor. Compared with traditional manufacturing focused on production and performance compliance, modern overseas enterprises must address new compliance issues such as data ownership, algorithm governance, cross-border transmission, and security review.

Domestic data regulation is improving with penetrating enforcement: The Regulations on the Security of Industrial Chains and Supply Chains prohibits illegal collection of supply chain-related information within China; the Guidelines for the Security of Cross-Border Transfer of Automotive Data (2026 Version) expands the scope of regulated entities, restructures the definition of important data, and clarifies cross-border data transfer paths. The aborted acquisition of Manus in 2026 reflects that China's security reviews of overseas M&A and technological cooperation involving data, algorithms, and control transfer have entered a substantive supervision stage.

International regulatory coordination is tightening: The European Data Protection Board (EDPB) has issued new guidelines on cross-border data transfers requiring enterprises to prove the security capacity of recipient countries; Turkey strictly restricts cross-border data flows under the Law on the Protection of Personal Data (KVKK), having imposed heavy fines on social media platforms for violations; Indonesia classifies health data as highly sensitive personal data with stricter local storage rules than the EU, requiring sustained legal grounds for cross-border transfers.

2.5. Green trade and environmental compliance risks

Amid global low-carbon transition, green trade barriers have gradually replaced traditional tariff barriers as a new access threshold for international trade. The EU, Southeast Asia, West Asia, and other regions have continuously updated environmental legislation, establishing systematic regulatory systems for carbon emissions, material safety, recyclability, and pollutant discharge, which significantly impact China's energy-intensive and manufacturing enterprises.

The EU has the strictest green regulatory system: The Carbon Border Adjustment Mechanism (CBAM) applies discriminatory emission default values for steel products far exceeding China's actual levels, raising export costs; the Sustainable Products Ecodesign Regulation (ESPR) bans the destruction of unsold textiles and restricts high-inventory, high-turnover business models; the REACH Regulation, End-of-Life Vehicles (ELV) Directive, and EU Battery Regulation require full-life-cycle carbon footprint traceability and mandatory recycled material ratios.

Environmental regulation in Southeast Asia and West Asia has shifted from formal to substantive supervision: Turkey continues to monitor emissions after environmental approval and penalizes non-compliance; industrial projects in Thailand must obtain an Environmental Impact Assessment (EIA) permit with public participation rights, and falsification or underreporting may lead to suspension or license revocation.

3. Countermeasures for Chinese enterprises going global in the new development stage

3.1. Establish a dual-compliance industrial chain management mechanism

To address dual risks of domestic industrial chain supervision and overseas supply chain instability, enterprises should adopt a security- and compliance-oriented supply chain management system. First, map core technologies, key raw materials, and production equipment against the national List of Key Sectors, establish a dynamic supply chain ledger, and strictly implement domestic approval and filing procedures. Second, optimize supply chain structure, diversify high-sensitivity material sources, and rationally plan regional and local capacity to reduce policy-related supply disruption risks. Third, improve supply chain emergency plans for logistics, inventory, and production lines to enhance resilience. Fourth, integrate supply chain compliance into procurement, project approval, and cross-border transactions, and coordinate with export control review to achieve dual domestic and overseas compliance.

3.2. Implement localized operations and employment models

To cope with strict labor regulation worldwide, enterprises must abandon domestic employment practices and adopt localized management. First, strictly abide by host-country rules on minimum wage, social security, dismissal restrictions, and local employment ratios, and develop country-specific compliance checklists for special rules such as Vietnam's social security upgrades, Turkey's retroactive audits, and Indonesia's automatic contract renewal. Second, align with the EU Pay Transparency Directive and Forced Labor Ban Regulation, improve labor traceability files, and meet international human rights audit standards. Third, build local legal, HR, and finance teams to adapt to local customs and labor culture, and standardize dismissal and post-adjustment procedures. Fourth, establish employment compliance ledgers with full-process documentation of labor contracts, social security records, and payroll to enable traceable, self-auditable risk management.

3.3. Improve a dual-compliance technology control system

To address uneven global IP protection and strict cross-border technology regulation, enterprises must strengthen IP protection and technology governance. First, complete overseas patent and trademark registration in high-infringement regions such as Southeast Asia and Africa, and comply with China-South Korea IP cooperation rules to prevent squatting and counterfeiting. Second, enhance internal technology secrecy, classify core processes and algorithms, and sign non-disclosure and non-compete agreements. Third, implement the Export Control Law by completing filing or licensing for free- and restricted-class technologies, and standardize and file licensing agreements in Vietnam to avoid invalidation. Fourth, establish full-cycle technology export monitoring, track end-use and end-users, and fulfill reporting obligations to prevent unauthorized retransfer.

3.4. Build a cross-border data security governance framework

To address tightening domestic and overseas data regulation, enterprises should develop a classified and standardized data governance system. First, classify supply chain, operational, and personal sensitive data per domestic rules, and standardize data collection, storage, and transmission. Second, comply with data protection laws in Turkey, Indonesia, and the EU, implement local storage and cross-border security assessment, and prohibit unauthorized cross-border data transfers. Third, complete algorithm and intelligent system compliance filing, vet cloud service providers, clarify data ownership, and prevent leaks. Fourth, centrally manage sensitive supply chain information, establish an external disclosure approval mechanism with legal/compliance review and documentation, to adapt to penetrating supervision.

3.5. Proactively adapt to green trade rules

Against rising green trade barriers, enterprises should align with international environmental standards and adopt low-carbon sustainable models. First, optimize production processes, establish carbon footprint accounts per CBAM rules, reduce energy consumption, and improve recycled material ratios under REACH and the Battery Regulation to mitigate carbon tariff impacts. Second, comply with environmental rules in Southeast Asia and West Asia, complete EIA procedures honestly in Thailand, and monitor emissions continuously in Turkey. Third, apply for green product and factory certifications to access tax incentives and enhance international recognition. Fourth, transform high-inventory models to comply with EU/US product destruction bans, optimize inventory structure, and reduce green barrier pressures.

4. Conclusion

In the new development paradigm, internationalization of Chinese enterprises is an irreversible trend. A complex international regulatory environment, divergent national legal systems, and strict domestic security controls jointly constitute compliance challenges for enterprises going global. Chinese overseas enterprises currently face five major intertwined compliance risks: Industrial and supply chain supervision, labor and employment, intellectual property rights, cross-border data, and green environmental protection, which are increasingly complex, normalized, and stringent. To achieve stable and sustainable overseas development, enterprises must shift from traditional operational thinking, adopt a compliance-first philosophy, and balance domestic regulatory requirements with host-country local laws.

Fundings

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