

**Kobre & Kim's Cross-Border
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China's New Supply Chain Regime Redraws Cross-Border Risk Lines

China's new supply chain security rules are increasing cross-border risk for multinational companies by creating potential "legal collisions" between Chinese regulations and competing U.S., UK, and EU compliance obligations. As governments increasingly use legal frameworks to advance geopolitical objectives, companies face growing exposure to overlapping enforcement regimes, retaliatory measures, and parallel disputes arising from supply chain, sanctions, and regulatory compliance decisions.

China's new supply chain security rules mark a significant escalation in the use of legal tools to protect its role in global production. Introduced in April 2026, the rules empower authorities to investigate and penalize conduct deemed harmful to China's industrial and supply chain stability, including efforts by foreign companies to shift sourcing or comply with external restrictions.

U.S., UK, and EU frameworks increasingly require companies to impose sanctions, conduct supply chain due diligence, or restrict transactions involving Chinese counterparties. These overlapping obligations can result in a "legal collision," in which compliance with one regime risks exposure under another.

Companies may face exposure when they:

- restrict or terminate relationships with Chinese suppliers to comply with sanctions or forced labor rules;
- decline to proceed with transactions due to export controls or investment restrictions;
- share supply chain information or undertake diligence required by foreign regulators.

Under China's expanding countermeasures framework—including its anti-sanctions and blocking regimes—such conduct may trigger scrutiny or penalties, even where driven by foreign legal obligations and risk considerations. This reflects a broader trend of jurisdictions

using "blocking" tools to push back against the extraterritorial reach of foreign laws.

Against this backdrop, companies with China-facing operations are increasingly navigating overlapping and at times conflicting sources of legal and commercial risk that can affect market access, counterparties, and enterprise value.

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Key Considerations for Navigating Legal Collision

- **Map points of friction across jurisdictions.** Understanding where supply chains, counterparties, and decision-making processes intersect with competing legal regimes can help identify the most acute risk exposure.
- **Re-evaluate sensitive business decisions.** Decisions involving supplier relationships, transactions, or disclosures may have consequences beyond their immediate commercial rationale, particularly where they can be characterized differently across jurisdictions.
- **Anticipate enforcement and retaliation risk.** Authorities may take divergent views on the same conduct, increasing the likelihood of investigations, countermeasures, or other state-driven actions.
- **Position for disputes across multiple fronts.** These tensions may give rise to parallel disputes—with regulators, contractual counterparties, or other stakeholders—requiring coordinated strategies that account for competing jurisdictions.

China's supply chain rules reflect a broader shift toward using legal frameworks to advance geopolitical objectives. As states increasingly assert competing expectations over global business activity, the resulting fault lines are likely to persist. For multinational companies, this environment requires navigating not only where risks arise, but how decisions taken in one jurisdiction may reverberate across others, shaping enforcement exposure, disputes, and long-term strategic positioning.

About Kobre & Kim

Kobre & Kim is a global law firm focusing on cross-border disputes and investigations, often involving fraud and misconduct. Our firm:

- Provides offensive and defensive cross-border litigation and crisis management strategies in and out of court.
- Our onshore and offshore lawyers – including an integrated group of U.S. litigators, offshore lawyers qualified in key jurisdictions, Hong Kong solicitors, and English barristers and solicitors – help clients identify vulnerable assets and mitigate reputational harm caused by investigations.
- Takes a multidimensional approach to UHNWI-focused dispute investigations to resolve business disputes and regulatory investigations, trace and recover misappropriated funds, and defend against asset attacks.
- Has deep experience with global foreign policy, national security, and economic controls; regularly interfaces with regulatory agencies that impose these controls.