

Press Release

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APA concerned: Impending shutdown of VPN tunnels in China impedes corporate activities there

- **Most German companies operating in China are affected by non-transparent regulations**
- **Unhindered cross-border data traffic is crucial for internationally operating companies**

“The impending shutdown of Virtual Private Network tunnels threatens to inhibit the scope for corporate activities. Despite the favourable economic situation, foreign companies operating in China are concerned about this”, said Hubert Lienhard, Chairman of the Asia-Pacific Committee of German Business (APA), against the backdrop of new internet access regulations entering into force.

Announcements made at the Chinese National People’s Congress about planning to further open up the country to foreign investors, such as in telecommunications, medical services or the automotive industry, should be put into effect without delay. It is a fact, however, that in recent years very few concrete steps have been taken following similar statements. All told, there are currently no signs of China opening up economically. What can be seen instead is increasing governmental control and a restriction in the room to manoeuvre, such as through the regulation against Virtual Private Network (VPN) tunnels without Chinese governmental certification.

After 31 March, China will only allow VPN tunnels that are licensed and authorised by one of the state-owned providers. All companies currently relying on their own VPN tunnels need to make sure that they use such a state-licensed line instead. In addition to the high costs that may arise in connection with such a change, German companies are particularly concerned about the security of their data and fear that cross-border data traffic will be regulated too heavily.

“This change will pose a big challenge to small and medium-sized companies in particular. Together with the requirement that all data has to be stored locally in China, this will make it harder for internationally operating companies to do business. At the same time, the question remains whether data may really be transferred securely”, said Lienhard.

The APA also has fears that business conditions in China will deteriorate in view of the Cybersecurity Law passed last year. “We fear the Cybersecurity Law will hinder trade, investments and innovations. The German economy recognises the danger that the administrative regulations currently being prepared to implement this law will put foreign companies at a disadvantage and is concerned about data security”, Lienhard explained.

According to APA, the above-mentioned law applies to almost all companies that do business in or with China, transfer and / or store data across borders or export critical infrastructure products to China. The legislative framework is expected to be done and dusted by late 2018.

About APA

The Asia-Pacific Committee of German Business is the voice of German business active in Asia-Pacific. APA engages in the dialogue on economic policy with the German government and those in the Asian region. APA voices the concerns and interests of German companies' interests towards Asia-Pacific. APA strives for more intense cooperation with Asia-Pacific and helps promoting trade and investment in both directions. APA is an initiative of the Federation of German Industries (BDI), the Association of German Chambers of Industry and Commerce (DIHK), the German Asia-Pacific Business Association (OAV), the Federation of German Wholesale, Foreign Trade and Services (BGA) and the Association of German Banks (Bankenverband). Since February 2014 it is chaired by Dr. Hubert Lienhard, President and CEO of Voith GmbH.

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