CHINA LAW INSIDER

AI Can Read China's Laws. But Can It Get Business Done in China?

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Why do regulatory execution, local knowledge, and human relationships still matter in the age of artificial intelligence? Understanding what Chinese law says is only the beginning; lawful implementation also requires professional judgment and effective communication.

Artificial intelligence is rapidly transforming the legal profession. AI tools can rapidly identify statutes, summarize regulations, compare legal requirements, and produce draft memoranda that once required hours of legal research. Their output still requires verification for accuracy, currency, and applicability. For international companies operating in China, these capabilities are undoubtedly valuable. But they also create a potentially dangerous illusion: that understanding what Chinese law says is equivalent to knowing how business can be conducted under that law.

In China, the distinction between legal analysis and regulatory execution remains fundamental.

After decades of advising international businesses on Chinese legal and regulatory matters, one lesson remains particularly relevant in the age of AI: knowing the law is only the beginning. Getting things done requires more.

I. The Law on Paper Versus the Law in Practice

China has developed an extensive and increasingly sophisticated legal and regulatory framework governing foreign investment, corporate operations, taxation, employment, intellectual property, and commercial transactions. Many of these laws are publicly accessible. AI tools with access to suitable sources can retrieve them, translate them, and explain their apparent application at remarkable speed. But the existence of a national law does not guarantee uniform implementation throughout China.

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A foreign investor may receive an accurate AI-generated memorandum explaining the procedures for establishing, restructuring, or liquidating a wholly foreign-owned enterprise (WFOE). This remains a familiar business description, but foreign-invested companies now operate under the Company Law and the Foreign Investment Law, rather than the repealed WFOE Law.[1] The memorandum may correctly identify the relevant statutory requirements and prescribed administrative timelines. Yet the actual implementation may depend on the practices of the provincial or municipal authorities responsible for processing the application. Documentation requirements, administrative interpretations, coordination between departments, and processing practices can differ across jurisdictions, even where the underlying national legislation is identical. Local practice must, however, remain within applicable law; it does not authorize additional unlawful conditions.[1]

However, one must note: AI may explain what an authority is legally required to do. It cannot ensure that the authority will in fact do it or do it within the anticipated timeframe.

II. Regulatory Authorities Are Not Legal Research Engines

One fundamental limitation of AI is that regulatory agencies do not operate simply by reading statutory provisions and mechanically producing outcomes. Officials work within administrative structures involving internal procedures, supervisory responsibilities, policy priorities, institutional practices, and sometimes competing regulatory considerations.

Let me share an example:

Consider the liquidation of a foreign-invested enterprise. AI can identify the statutory dissolution procedures, tax clearance requirements, creditor notification obligations, and registration formalities. But it cannot guarantee that a local tax authority will complete its review promptly; that documentation will be accepted without further clarification, or that different agencies will coordinate efficiently. A technically correct legal memorandum does not itself resolve an administrative bottleneck. For foreign-invested companies, the Company Law governs dissolution and liquidation, including creditor notification, settlement of taxes and debts, and deregistration.[2]

China's Administrative Licensing Law establishes procedural safeguards and decision deadlines for covered licensing matters. Those deadlines are subject to the law's applicable exceptions, extensions, and working-day rules; they are not a single deadline for completing tax clearance or an entire company liquidation.[3] Nevertheless, the practical importance of administrative coordination remains evident in China's continuing efforts to streamline government services. The State Council's licensing-list reforms and its 2024 guidance on integrated government services call for clearer responsibilities, standardized procedures, and better interdepartmental coordination.[4]

III. Guanxi: The Human Dimension of Regulatory Execution

Western observers sometimes misunderstand the Chinese concept of guanxi (关系), commonly translated as relationships or personal connections. Guanxi is not synonymous with corruption, favoritism, or the circumvention of legal requirements; the legality of any conduct depends on what is actually done.[5] In legitimate professional practice, guanxi can encompass mutual trust, professional credibility, institutional familiarity, effective communication, and relationships developed through years of responsible dealings. These qualities can be particularly important when addressing complex regulatory questions.

An experienced local lawyer may understand which department has jurisdiction, how a particular authority interprets an ambiguous requirement, what supporting documentation is normally expected, and how to obtain clarification through appropriate official channels.

Such practical knowledge may not be fully captured in a statute, regulation, or publicly available administrative guidance. It is accumulated through experience, professional judgment, and direct engagement. This does not make unpublished requirements legally

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binding: Article 5 of the Administrative Licensing Law provides that unpublished licensing provisions cannot serve as a basis for implementing a licence.[3]

AI can describe the concept of guanxi. It cannot automatically reproduce the trust and practical knowledge developed through years of legitimate professional interaction. At the same time, relationships must never replace legal compliance. China's anti-corruption framework makes it essential to distinguish proper professional engagement from attempts to secure improper influence. The value of local relationships lies in facilitating lawful communication and execution—not avoiding the law. Bribing public officials, or specified persons connected with them, to obtain improper benefits can attract criminal liability.[6]

IV. Why National Rules Do Not Always Produce Identical Local Outcomes

China is a vast country with significant economic and administrative diversity. National legislation establishes the framework, but implementation frequently involves provincial, municipal, and district-level authorities. A procedure handled efficiently in Shanghai may involve different administrative practices in another municipality. An interpretation accepted by one local agency may require additional explanation elsewhere. These differences do not necessarily indicate illegality or arbitrary conduct. They may reflect different administrative capacities, delegated responsibilities, regulatory priorities, or permissible interpretations. A qualitative study of the digital business environment in Beijing, Shanghai, and Chongqing documented regional differences in administrative reform and public-service delivery. Its findings are context-specific, rather than proof that every procedure differs across China.[7] For international companies, this creates a practical challenge. The Foreign Investment Law also prohibits local normative measures from unlawfully reducing foreign investors' rights or adding obligations.[1]

A legal opinion may be correct at the national level yet incomplete as a roadmap for completing a transaction in a particular locality. The essential question is not merely, "What does Chinese law provide?" It is also, "How will the competent authority apply that law to this transaction, in this location, at this time?"

V. The Danger of Mistaking Information for Execution

The growing accessibility of AI-generated legal information creates another risk: overconfidence. A Western executive may receive a comprehensive AI report identifying all relevant laws, required documents, and estimated processing periods. The report may look authoritative and persuasive. But it may not reveal an agency's current filing practices, informal procedural expectations, practical interdepartmental dependencies, or the likelihood of additional questions. Even where AI provides accurate legal analysis, its predictions concerning administrative execution may be unreliable unless verified against current local practice. Counsel should verify the legal basis of requested requirements and consider appropriate remedies where conduct is unlawful; the Foreign Investment Law preserves complaint, administrative reconsideration, and litigation routes.[1]

This distinction can have serious commercial consequences. Transaction closings may be delayed. Corporate restructuring plans may encounter unexpected obstacles. Tax clearance may take longer than anticipated. The Foreign Investment Law protects the lawful inward and outward transfer of capital, profits, and liquidation proceeds. Implementing a particular remittance may still require applicable tax, foreign-exchange, and banking procedures; this is not a general discretionary veto on lawful repatriation.[1] Businesses that confuse legal information with operational certainty risk making commitments based on unrealistic assumptions.

VI. The Proper Role of AI in Chinese Legal Practice

None of this diminishes the extraordinary value of artificial intelligence. AI can improve legal research, accelerate document preparation, identify regulatory changes, compare legal frameworks, and help international clients understand China's complex legal environment.

It can also assist lawyers in preparing regulatory submissions, organizing compliance documentation, and identifying procedural risks. But AI should be regarded as an instrument supporting professional execution, not a substitute for it.

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The most effective approach combines three elements:

1. **AI-assisted legal intelligence** to identify and analyze the applicable legal framework.
2. **Experienced local legal judgment** to understand administrative interpretations, practical requirements, and regulatory risks.
3. **Responsible engagement with competent authorities** to obtain clarification, address issues, and advance lawful implementation.

The combination is considerably more valuable than any single component.

VII. Conclusion: Knowing the Law Is Not the Same as Getting Things Done

Artificial intelligence will undoubtedly change how lawyers research, analyze, and communicate Chinese law. But its impact on the actual execution of business transactions should not be overstated. Chinese regulatory administration remains a human and institutional process. Statutes establish legal rights and obligations, but their practical implementation involves administrative judgment, procedural coordination, local knowledge, and professional communication. AI can tell a foreign investor what the law says.

Experienced counsel must still determine how that law will be implemented and help the client navigate the process lawfully and effectively.

> **In China, as elsewhere, legal intelligence is valuable. But legal intelligence without execution is not a complete business transaction.**

AI can help identify what Chinese law permits. It cannot guarantee that the Chinese government will process your application, approve your transaction, or meet your timetable. AI is increasingly capable of helping lawyers manage filings and administrative workflows. The enduring human advantage is not that AI can never participate in execution, but that it cannot independently command regulatory discretion, establish institutional trust, or guarantee an administrative outcome. For these reasons and more, experienced China counsel remains indispensable in an AI-enabled legal market.

VIII. References

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Originally published at chinalawinsider.com/articles/ai-china-law-regulatory-execution

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