

On 13 April 2026, the State Council of the People's Republic of China (the State Council) promulgated the Regulations of the People's Republic of China on Countering Improper Extraterritorial Jurisdiction by Foreign States (中华人民共和国反外国不当域外管辖条例, the Regulations), signed by Premier Li Qiang and effective on publication.¹ The instrument consists of 20 articles and draws its legal authority from the National Security Law of 2015, the Foreign Relations Law of 2023 and the Anti-foreign Sanctions Law of 2021. Official commentary frames the Regulations as defensive in purpose, presenting foreign extraterritorial measures as a form of interference in China's internal affairs to which a law-based response is warranted.² Their practical effect is to consolidate into a single State Council instrument the identification, blocking and counter-sanctioning tools that Beijing has accumulated since 2020, and to add new ones.

The Instrument

The Regulations are a State Council administrative regulation, a category of normative instrument subordinate to statutes enacted by the National People's Congress and its Standing Committee, but superior to departmental rules. The earlier Chinese blocking instrument, the Rules on Counteracting Unjustified Extraterritorial Application of Foreign Legislation and Other Measures of 2021 (阻断外国法律与措施不当域外适用办法, the 2021 Blocking Rules), was a departmental rule issued by the Ministry of Commerce of the People's Republic of China (MOFCOM).³ The Regulations elevate that material into a higher rank and reassign lead identification authority to the State Council rule-of-law department, that is, the Ministry of Justice of the People's Republic of China (the MOJ).⁴ MOFCOM retains its existing portfolios, notably the Unreliable Entity List (不可靠实体清单) regime and export-control implementation, which now sit alongside rather than under the new MOJ-led identification pipeline.

Although trade ministries remain central to designations and to enforcement, the shift signals that Beijing conceives of the countermeasures architecture as foreign-related rule-of-law infrastructure rather than as trade policy, and it is likely to produce a more legalistic identification process with greater documentary output.

The Political and Geopolitical Backdrop

The Regulations arrive at the end of a 12-month cycle in which Beijing constructed, deployed and selectively paused a reciprocal counter-toolbox against US and EU extraterritorial measures. The most consequential US step in that cycle was the Affiliates Rule (Expansion of End-User Controls to Cover Affiliates of Certain Listed Entities, the BIS Affiliates Rule) issued by the Bureau of Industry and Security of the US Department of Commerce on 29 September 2025, which extended Entity List and Military End-User List licensing requirements to any entity owned 50% or more, directly or indirectly, by a listed party.⁵ China responded in October 2025 with an expansion of its own export-control regime, notably a rare-earth licensing framework that for the first time reached re-exports and foreign-made items containing controlled Chinese-origin content, or manufactured using controlled Chinese technologies. Both sides then paused: President Donald Trump and President Xi Jinping agreed at a meeting in Busan, South Korea, on 30 October 2025 to extend the bilateral truce for one year, and the BIS Affiliates Rule was suspended for a phase running to 9 November 2026.⁶

Against that backdrop, the Regulations are best understood as legal infrastructure built during a negotiated pause. Official commentary presents them as defensive, and the triggering standard under Article 6 retains substantial discretion for the interagency mechanism, which allows Beijing to hold identifications and designations in reserve without breaking the current diplomatic posture. That combination of institution-building alongside deliberate restraint is consistent with the strategic direction reaffirmed at the Fourth Plenum of the 20th Central Committee of the Communist Party of China, held in Beijing from 20 to 23 October 2025, which adopted the recommendations for the 15th Five-Year Plan and placed particular emphasis on scientific and technological self-reliance, as well as on national and economic security.⁷

1 "受权发布 | 中华人民共和国反外国不当域外管辖条例," *Xinhua News Agency* (via *China News Service*), 13 April 2026, arts. 1, 20; *vid.* "[China issues rules on countermeasures against foreign states' unlawful extraterritorial jurisdiction.](#)" State Council of the People's Republic of China, 13 April 2026.

2 "China issues rules on countermeasures against foreign states' unlawful extraterritorial jurisdiction," *supra* n. 1.

3 "[Measures to Block the Improper Extraterritorial Application of Foreign Laws and Measures.](#)" Ministry of Commerce of the People's Republic of China, Order No. 1 of 2021, 9 January 2021, arts. 4–7.

4 Regulations on Countering Improper Extraterritorial Jurisdiction, *supra* n. 1, arts. 5–6; *nb.* art. 6 designates the "State Council rule-of-law department" as the lead identification authority, which in current interagency practice is the Ministry of Justice of the People's Republic of China.

5 "[Department of Commerce Expands Entity List to Cover Affiliates of Listed Entities.](#)" Bureau of Industry and Security, U.S. Department of Commerce, 29 September 2025.

6 "[Full text: MOFCOM on China's recent export controls, other trade policies.](#)" *CGTN* (via *Xinhua News Agency*), 12 October 2025; *vid.* "[Trump-Xi meeting in Busan: Key takeaways from the summit.](#)" *Al Jazeera*, 30 October 2025.

7 "[CPC plenum concludes, adopting recommendations for China's 15th Five-Year Plan.](#)" *State Council of the People's Republic of China* (via *Xinhua News Agency*), 23 October 2025.

The EU backdrop is secondary, but increasingly salient. The EU Blocking Statute of 1996, amended in 2018 in response to the reimposition of US secondary sanctions on Iran, and the Anti-coercion Instrument that entered into force on 27 December 2023, form part of what Beijing increasingly frames as a single Western pressure environment rather than two distinct regulatory poles.⁸ Although the primary target of the Regulations remains US extraterritorial measures, Article 3 is facially neutral across foreign states, which leaves EU sanctions packages, foreign-subsidies controls and member state disclosure orders within the foreseeable scope of Article 6 identification. European operators that already reconcile EU and US compliance obligations may now face a third jurisdictional vector that pulls in the opposite direction.

Identification, Prohibition Orders and the Malicious Entity List

Identification of a foreign measure is the precondition for every other instrument under the Regulations. Under Article 6, the MOJ, working through an interagency mechanism, assesses whether a foreign measure constitutes improper extraterritorial jurisdiction by reference to its conformity with international law, the adequacy of the connection between the foreign state and the regulated conduct, as well as the harm to Chinese interests or rights. The test is open-textured, and a residual reference to “other factors” preserves substantial administrative discretion for the MOJ and the interagency mechanism.

Once an identified measure has been publicly announced, three principal enforcement instruments become available. Article 7 authorises state-level countermeasures across policy fields that include diplomatic and consular measures, trade and investment restrictions and entry-and-exit controls. Article 13 authorises the MOJ to issue a prohibition order (禁令, a Prohibition Order) directing a specified organisation or individual not to comply with the foreign measure, breach of which carries the Article 17 penalties, which extend across public procurement and bidding, trade in goods and technology and international services trade. Article 8 authorises relevant State Council departments to place on the Malicious Entity List foreign organisations and individuals that promote or participate in the implementation of an identified measure, with consequences ranging across visa and entry measures, asset freezes and transaction and investment bans. Article 8 separately permits the extension of those measures to organisations that are controlled by, or whose formation or operation involves, persons already on the list.⁹

The Regulations also set out procedural safety valves on each side of a designation. Article 9 permits a designee to apply to the designating State Council department for suspension, modification or cancellation of countermeasures on the basis of corrective action, and Article 11 permits a counterparty facing commercial necessity to apply for case-by-case authorisation to engage in otherwise prohibited dealings with a listed person.

Article 16 assigns industry associations and chambers of commerce a coordinating role in rights protection and dispute resolution, which may become a practical channel for industry-level representations to the interagency mechanism.

Pursuant to Article 14, Chinese citizens and organisations whose rights have been infringed by a party’s compliance with an improper foreign measure may sue in Chinese courts for cessation of infringement and for damages. Article 14 reaches the act of compliance, not the location of the complying party, with the consequence that a foreign entity with no operations in China may still face suit where its compliance with a foreign sanctions designation has injured a Chinese counterparty. The private right of action is likely to prove the most commercially consequential feature of the Regulations for foreign counterparties operating in China or doing business with China.¹⁰

The Jurisdictional Claim

Article 4 of the Regulations asserts a Chinese right to exercise extraterritorial jurisdiction over conduct with an “appropriate connection” to China, whether derived from treaty, from domestic law or from the principle of reciprocity. Although earlier Chinese instruments gestured toward this posture, the articulation in a State Council regulation is the clearest statement to date that Beijing intends to construct a symmetric long-arm capacity, not merely a defensive shield against foreign assertions.

The second structurally significant feature is the elevation of data-flow restrictions from the data-protection corpus into the sanctions toolkit. Article 8(4) permits a designated person to be cut off from the provision of data or personal information by any Chinese organisation, and Article 17 permits restrictions on cross-border data flows as a penalty for non-compliance with countermeasures or with a Prohibition Order. The data-layer consequences supplement, and in some cases duplicate, the existing Personal Information Protection Law and Data Security Law pathways and they are likely to have a more direct operational bite on technology, cloud and industrial operators than traditional visa or asset measures.¹¹

Implications for Operators

The immediate consequence for operators is a sharper conflict-of-laws exposure. Where a foreign measure has been identified under Article 6, conduct that gives effect to it becomes potentially actionable through Article 17’s administrative penalties, through an Article 14 damages claim or through a Malicious Entity List designation against a foreign parent or affiliate. The calibration pressure this creates is most acute for financial institutions, maritime and logistics operators and technology and data handlers, whose existing compliance programs treat US and EU measures as the controlling reference point.

8 [“Regulation \(EU\) 2023/2675 of the European Parliament and of the Council of 22 November 2023 on the protection of the Union and its Member States from economic coercion by third countries.”](#) *Official Journal of the European Union*, L series, 7 December 2023; cf. Council Regulation (EC) No 2271/96 of 22 November 1996 protecting against the effects of the extra-territorial application of legislation adopted by a third country, and actions based thereon or resulting therefrom, as amended by Commission Delegated Regulation (EU) 2018/1100 of 6 June 2018.

9 Regulations on Countering Improper Extraterritorial Jurisdiction, *supra* n. 1, arts. 6, 7, 8, 13, 17.

10 *Ibid.*, arts. 9, 11, 14, 16.

11 *Ibid.*, arts. 4, 8(4), 17.

Operators with China-nexus counterparties should review sanctions, termination and *force majeure* provisions to reduce the risk that a contractual exit invoked on foreign-sanctions grounds will not be later characterised as assistance to an identified measure. Dispute-resolution choices merit parallel review, because Chinese courts hearing an Article 14 claim will apply Chinese public-policy doctrine, which is likely to be shaped by the Regulations.

A precautionary or over-broad reading of a foreign sanctions designation is the precise conduct that an Article 14 plaintiff may characterise as participation in implementation, and the legal analysis supporting any refusal to perform should be tightly reasoned and contemporaneously documented. Where the foreign regime offers an exemption pathway, including a specific license from the Office of Foreign Assets Control of the United States Department of the Treasury (OFAC) for an otherwise prohibited payment, an application is worth making even where rejection is the more probable outcome; the application is itself evidence of an attempt to perform and may be deployed defensively in a subsequent Chinese proceeding.

The Regulations empower restrictions on the entry, stay and cross-border movement of natural persons, which brings compliance officers and senior commercial executives who sign off on terminations within the foreseeable range of the instrument, particularly where a Malicious Entity List designation is being contemplated.

Outlook

The most informative near-term indicator will be the first Article 6 public identification, which will fix the concrete perimeter of the regime and reveal the discretion the interagency mechanism intends to retain. A second indicator is the fate of the BIS Affiliates Rule, the suspension of which runs through 9 November 2026; its reinstatement would supply an obvious candidate for identification.¹² A third indicator is the relationship of the Regulations to the State Council Provisions on the Security of Industrial and Supply Chains (供应链产业链安全管理条例, the Supply Chain Provisions), which entered into force on 31 March 2026, and cover overlapping factual ground.

¹² BIS Affiliates Rule, *supra* n. 4.

How We Can Help

Our international trade and sanctions team helps multinationals, banks and logistics firms navigate the messy overlap of Chinese countermeasures, US/EU sanctions and export controls. We do not just spot where your global obligations might clash; we are in the trenches with you, drafting *force majeure* clauses for China contracts, auditing compliance programs and building strategies for exemptions. Whether you are preparing for “Malicious Entity List” issues or need to know what a new enforcement action means for your business, we are here to help.

Contacts



José María Viñals

Partner, Madrid, Brussels, Geneva
T +34 91 426 4840
M +34 649 133 822
josemaria.vinals@squirepb.com



Daniel F. Roules

Partner, Shanghai
T +86 21 6103 6309
daniel.roules@squirepb.com



Ju (Lindsay) Zhu

Partner, Shanghai
T +86 21 6103 6303
lindsay.zhu@squirepb.com



Diego Sevilla Pascual

Director, Brussels
T +322 627 7612
E diego.sevillapascual@squirepb.com



Tigran Piruzyan

Senior Associate, Madrid
T +34 618 017 354
E tigran.piruzyan@squirepb.com