

China Triggers Its Counter-Sanctions and Anti-Extraterritorial Jurisdiction Regulations

5 June 2026

In the first half of May, China announced two countermeasures against EU and U.S. actions deemed to be intrusions on Chinese sovereignty. First, China issued its first official “prohibition order” under a blocking regulation, effectively forbidding Chinese parties from implementing or cooperating with new U.S. sanctions against five Chinese refineries. Second, and more unexpectedly, China announced the first use of the recently adopted Regulations on Countering Improper Extraterritorial Jurisdiction (“Order 835”), prohibiting cooperation with an EU Foreign Subsidy Regulation (“FSR”) investigation of a Chinese company. While China has previously retaliated against foreign sanctions by counter-sanctioning a small number of foreign firms, the two announcements in May are the first invocations of regulations broadly prohibiting cooperation with specific foreign actions. The invocation of Order 835, in particular, could have broader implications, as it is not merely tit-for-tat retaliation but an expression of displeasure at perceived overly invasive EU regulations.

The MOFCOM Blocks U.S. Sanctions on Chinese Refineries. On May 2, 2026, China’s Ministry of Commerce (“MOFCOM”) issued a prohibition order forbidding Chinese individuals and entities (including Chinese subsidiaries of foreign entities and foreign nationals in China) from recognizing, implementing or complying with United States sanctions against five Chinese refineries¹ allegedly involved in trade with Iran.² The prohibition order was promulgated under the 2021 Rules on Counteracting Unjustified Extraterritorial Application of Foreign Legislation (the “2021 Blocking Regulation”),³

¹ (1) Hengli Petrochemical (Dalian) Refining and Chemical Co., Ltd., (2) Shandong Shouguang Luqing Petrochemical Co., Ltd., (3) Shandong Jincheng Petrochemical Group Co., Ltd., (4) Hebei Xinhai Chemical Group Co., Ltd., and (5) Shandong Shengxing Chemical Co., Ltd.

² 《商务部公告 2026 年第 21 号 公布关于美国对 5 家中国企业实施涉伊朗石油制裁措施的阻断禁令》(Ministry of Commerce Announcement No. 21 of 2026: Blocking Prohibition Order Against U.S. Sanctions on Iranian Oil Related Matters Against Five Chinese Companies) (May 2, 2026), https://www.mofcom.gov.cn/zwgk/zcfb/art/2026/art_0ff88c45f1974962a539775085014888.html.

³ See Satish M. Kini, Philip Rohlik, et. al “China Establishes Blocking Mechanism Aimed at Extraterritorial Foreign Laws,” Debevoise Update (Jan. 4, 2021), <https://www.debevoise.com/insights/publications/2021/01/china-establishes-blocking-mechanism>.

with additional reference to the National Security Law, the Law on Foreign Relations and the Anti-Foreign Sanctions Law.

The prohibition order was the first issued under the 2021 Blocking Regulation, although China has previously punished foreign companies' compliance with what it deems other countries' "discriminatory restrictive measures" by placing them on the Unreliable Entity List.⁴ In doing so, China has stressed that it "exercises prudence" in targeting a "very small number of firms" for inclusion.⁵ The prohibition order can be seen as continuing this measured approach: it was issued under the 2021 Blocking Regulation rather than the more recent Order 835, which arguably has broader extraterritorial application.⁶

Under the 2021 Blocking Regulation, a Chinese person or organization that fails to comply with the prohibition order may face administrative penalties such as warnings, fines and correction orders, although exemptions may be sought from MOFCOM. Local subsidiaries of non-Chinese companies must fully comply with the prohibition order, notwithstanding any conflicting global corporate policies. The prohibition order also provides a legal basis for Chinese parties to sue any party, including foreign companies, for damages arising from the other party's compliance with the foreign sanctions.⁷

The MOJ Determines EU FSR Investigation of a Chinese Company is an "Improper Extraterritorial Jurisdiction Measure". On May 15, 2026, the Ministry of Justice ("MOJ") announced that the European Union's investigation under the FSR related to Nuctech, a Chinese security devices supplier, constituted "improper extraterritorial jurisdiction measures" ("Announcement 5").⁸ Announcement 5 was the first use of April's State Council Order 835⁹ and took effect from the date of publication.

Unlike the prohibition order under the 2021 Blocking Regulation discussed above, which applies to Chinese parties, Announcement 5 provides that no organization or

⁴ 《不可靠实体清单工作机制关于将美国 PVH 集团和因美纳公司列入不可靠实体清单的公告》 ("Announcement from the Working Mechanism for the Unreliable Entities List Regarding the Addition of PVH Corp. and Illumina, Inc. to the Unreliable Entities List") (Feb. 4, 2024), https://www.mofcom.gov.cn/zwgk/zcfb/art/2025/art_ab15d2258dda4e93b8ad1ec4776d37c3.html.

⁵ "Commerce Ministry: China's unreliable entity list only targets very small number of rule-breaking firms," The State Council Information Office (Feb. 14, 2025), http://english.scio.gov.cn/pressroom/2025-02/14/content_117712633.html.

⁶ See Philip Rohlik, Zhiqi Wu, et al. "China's New Blocking and Supply Chain Regulations," Debevoise In Depth (Apr. 30, 2026), <https://www.debevoise.com/insights/publications/2026/04/chinas-new-blocking-and-supply-chain-regulations> ("Apr. Debevoise In Depth").

⁷ Blocking Regulation Arts. 8–9, 13.

⁸ 《司法部关于欧盟外国补贴调查相关做法构成不当域外管辖的公告》 ("Announcement from the Ministry of Justice regarding EU foreign subsidy investigation practices constituting improper extraterritorial jurisdiction.") (May 15, 2026), https://www.moj.gov.cn/pub/sfbgw/zwxgk/fdzdgnr/fdzdgnrtzjw/202605/t20260515_535049.html.

⁹ See Debevoise In Depth *supra* n. 6.

individual shall execute or assist in executing the identified improper extraterritorial jurisdiction measures. Although Announcement 5 appears to be directed at the European Union's attempts to gather information inside China, Order 835 arguably applies extraterritorially, with potential implications for persons and entities outside China cooperating with the EU FSR investigation. However, it is unclear what practical obligations would be imposed on foreign parties outside of China, as EU investigative requests directed to parties outside China (especially within the European Union) might not be deemed to be "improper extraterritorial measures" under the factors set out in Article 6 of Order 835.¹⁰ Like the 2021 Blocking Regulation, Order 835 includes a private right of action, which potentially could be invoked by a Chinese party for actions outside of China that result in damages.

The prompt use of Order 835 to issue Announcement 5 is notable. It took five years for China to issue a prohibition order under the 2021 Blocking Regulation but only one month to invoke Order 835. Announcement 5 is also not simply retaliation against foreign sanctions but an attempt to block a foreign trade and competition investigation involving a Chinese company.

The trade-related purpose of Announcement 5 is made clear in associated Q&As issued by MOJ and MOFCOM spokespersons. Although Announcement 5 addresses only the EU's investigation of Nucotech, the official Q&As challenge the FSR itself. The MOJ described the European Union's cross-border demands for "broad and unnecessary information" within China and characterized FSR investigations as "discriminatory" and "'protectionism' under the guise of 'fair competition'."¹¹ This follows MOFCOM's January 2025 categorization of the FSR as creating "trade and investment barriers"¹² and objections to EU attempts to compel Chinese banking institutions to cooperate while "unreasonably demanding extensive information within China unrelated to the investigations."¹³

¹⁰ (1) Whether international law and basic norms of international relations are violated; (2) Whether the conduct subject to the foreign state's extraterritorial jurisdiction has an appropriate connection with that state; (3) Whether China's national sovereignty, security, and development interests are endangered, and whether the lawful rights of China's citizens or organizations are harmed; (4) Other factors that should be considered.

¹¹ 《司法部新闻发言人就欧盟外国补贴调查相关做法构成不当域外管辖答记者问》(Q&A by a spokesperson for the Ministry of Justice answered reporters' questions regarding EU foreign subsidy investigation practices constituting improper extraterritorial jurisdiction) (May 15, 2026), https://www.moj.gov.cn/pub/sfbgw/gwxw/xwyw/202605/t20260515_535048.html.

¹² As we previously noted, FSR enforcement has focused on Chinese companies, including Chinese state-owned companies in FSR enforcement. See Timothy McLver, Anne-Mette Heemsoth, et al. "Lessons from 18 Months of EU FSR Enforcement" Debevoise Update (Apr. 17, 2025) <https://www.debevoise.com/insights/publications/2025/04/lessons-from-18-months-of-eu-fsr-enforcement>.

¹³ 《商务部新闻发言人就认定欧盟外国补贴调查相关做法构成不当域外管辖措施答记者问》(Q&A by a spokesperson for the Ministry of answered reporters' questions regarding EU foreign subsidy investigation

The *Global Times*, a Chinese state-owned media outlet that often takes a more hawkish line than the government, went further. After discussing the MOJ's announcement, it called out the European Union's Industrial Accelerator Act and Cybersecurity Act as examples of "de-risking to actually de-cooperate," warning that China could retaliate against those measures as well.¹⁴ While the *Global Times* did not specify what form such retaliation would take, State Council Order 834, the Provisions on Industrial and Supply Chain Security, which was issued a week before and mirrors the obligations of Order 835, would provide one legal basis for doing so.¹⁵

Announcement 5 is also consistent with broader PRC hostility towards foreign investigations in China, as expressed in the 2018 International Criminal Judicial Assistance Law.¹⁶ Unlike that more general law, however, Order 835 provides the Chinese government the ability to block foreign investigations relating to trade, merger control, fraud, corruption and other areas, backstopped by potential enforcement under Order 835.

Practical Implications of China's Concerns with Extraterritorial Measures. In assessing the risks of complying with foreign sanctions against or investigations of Chinese entities, it is important to recognize the different concerns that Chinese laws and regulations address. May's prohibition order addresses the ability of China to retaliate against foreign actions deemed to discriminate against Chinese companies. Other retaliation mechanisms are found in the Anti-Foreign Sanctions Law, the Unreliable Entities List, and Orders 834 and 835. Such retaliatory measures have thus far been used sparingly.

While also addressing perceived discrimination, Announcement 5 reflects China's concerns about perceived violations of Chinese sovereignty and a desire to control the transfer of information abroad. These concerns are also reflected in the Data Security Law¹⁷ the prohibitions on certain supply chain investigations referred to in Order 834

practices constituting improper extraterritorial jurisdiction) (May 16, 2026), https://www.mofcom.gov.cn/syxwfb/art/2026/art_4366d16d0427417fa3312830d038e43d.html.

¹⁴ See "The EU's chain of trade and economic maneuvers against China has backfired" *Global Times* (May 18, 2026), <https://en.people.cn/n3/2026/0518/c90000-20457275.html>.

¹⁵ See Debevoise In Depth supra n.6.

¹⁶ 《中华人民共和国国际刑事司法协助法》(People's Republic of China International Criminal Judicial Assistance Law) (effective on Oct. 26, 2018), http://www.npc.gov.cn/zgrdw/npc/xinwen/2018-10/26/content_2064576.htm; unofficial translation available at https://pkulaw.com/en_law/b1575aa60196ebe4bdfb.html; see also Kara Brockmeyer, et al., "The Year 2018 in Review: Continued Globalization of Anti-Corruption Enforcement," *FCPA Update*, Vol. 10, No. 6 (Jan. 2019), <https://www.debevoise.com/insights/publications/2019/01/fcpa-update-january-2019>.

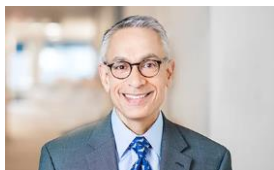
¹⁷ See Satish M. Kini and Philip Rohlik "China Passes Anti-Foreign Sanctions and Data Security Laws," *Debevoise In Depth* (June 15, 2021), <https://www.debevoise.com/insights/search/?keyword=china%20data%20security%20law>.

and elsewhere. As noted in the Q&A around Announcement 5, China objected to both the invasiveness and breadth of the Nuctech investigation. The same concerns are not limited to trade disputes or measures perceived to be aimed at China, either by intent (like the UFLPA) or in effect (like the FSR). Potential targets include supply chain and ESG regulations like the European Union's CSDDD. In complying with potentially conflicting regulatory requirements, companies operating in China should be mindful of these two concerns, avoiding what could be perceived as overly broad requests for information from business partners and addressing concerns about invasiveness by keeping raw data inside China whenever possible.

Debevoise & Plimpton LLP, like other international firms in China, is not admitted to practice PRC law. Our views are based on our general experience in dealing with similar matters and consultation of published compilations of Chinese law. We would be pleased to arrange for assistance from licensed Chinese counsel should you require a formal opinion as to any of the matters set forth in this update.

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Please do not hesitate to contact us with any questions.



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