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China's Expanding Legal Reach: Why the World Should Pay Attention

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The extraterritorial impact of China's laws, regulations, and judicial system is increasingly felt by foreign governments, firms, and individuals. The growing use of legal tools is not ad hoc, but part of a long-term strategy to build a comprehensive legal framework with extraterritorial reach. This foreign-related rule of law (FRROL) reflects China's evolving self-perception as a major global power with expanding interests to protect. As a "semi-permeable membrane" between China and the world, FRROL intends to filter and control external influence and enable Chinese persons, firms, and institutions to operate globally on Chinese rather than alien terms. FRROL serves as an instrument of strategic competition as well as providing legal predictability in international and foreign-related engagements. As part of China's Global Initiatives, FRROL will also include reform of the international system where global governance and "the international rule of law" will reinforce each other.

The Foreign-Related Rule of Law

The extraterritorial and international application of China's legal system is part of a long-term strategy to build a comprehensive legal framework for all affairs involving Chinese and foreign entities and individuals known in China as the *foreign-related rule of law*.

This foreign-related rule of law aims to govern an "overseas China" (people, firms, and institutions abroad) while creating a "legal security chain" for China's sovereignty, security, and development interests. This reflects a broader shift in how China sees itself. It is no longer a country adapting to a Western-led international order. As a major power second only to the United States, China is entitled to reshape the international order, and even foreign governments can be targeted by Beijing's legal system.

This extends beyond national security legislation – such as anti-espionage, intelligence, cyber, and data-security laws – to include tools of economic and legal statecraft designed to counter sanctions, tariffs, foreign investment restrictions, export controls used primarily by the United States and – to a lesser extent – the European Union, Japan, and Australia. Its ambitions even extend into reforming global governance and an "international rule of law".

A Major Escalation

In April 2026, China's State Council issued three sets of regulations. The first targets the "improper extraterritorial jurisdiction" of foreign states. The second focuses on acts damaging China's industrial and supply-chain security. The third deals with the international expansion of Chinese enterprises.

These regulations require the Chinese government and private parties to take legal action against violations of China's security or development. Such harmful acts include – but are not limited to – foreign sanctions and export controls, compliance by foreign and Chinese entities with foreign laws deemed hostile to China, and threats to Chinese supply chains. Finally, the regulations give direct control over Chinese businesses in other countries when China's interests are at stake.

The Political Logic Behind China's Legal System

To understand the foreign-related rule of law, one must first see how China's legal system has changed under President Xi Jinping.

For decades, many hoped China would evolve towards a more liberal and independent rule of law. Instead, Xi's government has taken a different direction. The Chinese Communist Party now openly states that the law exists to serve party leadership rather than to limit it. The line between party rules and state law has blurred. Party regulations and directives shape legislation, courts, and law enforcement – even though some remain secret.

Yet we should not dismiss China's legal system as just a thin veneer for autocratic rule. Once enacted, China's laws are real, detailed, enforceable, and apply across society, government – and even the Party itself. The danger for foreign governments and businesses lies in underestimating them. Beijing's framework may differ from liberal democracies, but it is coherent within China's political system and increasingly influential internationally.

From Domestic Law to Global Reach

Starting in 2015, China's foreign-related legal work focused first on overseas law enforcement. Early examples included attempts to repatriate officials accused of corruption through Operations "Fox Hunt" and "Sky Net".

These campaigns continue and sometimes rely on tactics foreign governments consider unlawful. Human-rights groups and Western governments have also accused China of operating unofficial police stations abroad and coercing dissidents or fugitives to return to China.

The 2026 Ethnic Unity and Progress Law dramatically extends China's fight against threats to national security outside China. The scope of law includes non-Chinese actors and governments seen as undermining China's unity or fostering ethnic division, potentially triggering prosecution of dissidents, regional independence activists and politicians and their foreign supporters – including foreign governments – for violating China's national security.

Expanding Security Influence Abroad

From the start, the foreign-related rule of law has supported China's international security presence. In Southeast Asia, it has deepened police cooperation to combat organised crime and online fraud. In

Central Asia, it works on anti-terrorism initiatives linked to domestic security priorities, especially in Xinjiang.

Among the Pacific Islands and elsewhere, China has signed policing agreements and created training programmes tied to geopolitical goals, particularly expanding influence in regions shaped by Western powers.

China's Response to American "Long-Arm Jurisdiction"

The worsening US–China rivalry in 2018 marked a turning point in the development of the foreign-related rule of law. Chinese leaders increasingly viewed American sanctions, export controls, and financial restrictions as examples of "long-arm jurisdiction" – the use of US law to influence global behaviour.

Beijing concluded international law could not shield China from American pressure. It therefore began building its own legal countermeasures, including rules to block or retaliate against foreign sanctions and China's own export controls and entity lists.
Initially these measures targeted the United States. More recently, Europe, Japan, Australia, and India have also been affected. China – like the United States – has come to see legal tools as instruments of geopolitical competition.

A Semi-Permeable Membrane

In the 2020s, China expanded the foreign-related law as a comprehensive, semi-permeable membrane for selective globalisation: open in some areas, restrictive and assertive in others. China does not seek isolation. It still wants trade, investment, technology cooperation and engagement, but increasingly on Chinese terms.

The foreign-related legal system acts as a semi-permeable membrane, filtering, and conditioning China's interactions with the world and structuring foreign-related affairs domestically. It aims to shield China from external pressure and interference while giving Chinese firms and people legal backing abroad.

This creates a more selective globalisation: open in some areas, restrictive and assertive in others.

China's Ambition to Shape Global Rules

China's ambitions extend beyond retaliating against sanctions. Beijing seeks to shape international law itself and frequently speaks of enhancing China's "discourse power" – the ability to influence global norms.

In 2016, a tribunal in The Hague ruled that major elements of China's claims in the South China Sea were unlawful. Beijing refused to accept the outcome, attributing its defeat to a lack of domestic legal capacity and influence over international law.

Since then, China has invested in training international lawyers, building institutions and promoting its legal ideas abroad. Its aim is not merely to participate in global governance, but to guide and reshape it. Areas of focus include trade rules, maritime law, cyber governance, security cooperation, and institutions such as the United Nations, the International Monetary Fund, and the World Bank.

Although a China-centred global governance and "international rule of law" are largely an aspiration for now, they could become the most impactful aspect of the foreign-related rule of law.

Implications for Foreign Governments and Businesses

The foreign-related rule of law creates geopolitical leverage, especially over countries that depend on Chinese trade, investments, technology or critical minerals.

The implications are also significant for companies, universities, non-governmental organisations, and individuals – both inside and outside China. They include export controls, national-security reviews, data restrictions, anti-sanctions conflicts, and political pressure. Foreign and Chinese firms as well as other entities may face situations where complying with one country's laws violates another's. The growing international use of Chinese law may also grant Chinese partners or competitors a "home-court advantage".

At the same time, China recognises the costs of over-reach. It remains deeply integrated into the global economy, and cannot isolate itself without serious consequences. The measured retaliation that underpins much of export control and counter-sanctions suggests that de-escalation remains a realistic possibility and even a desired outcome.

Why It Matters

Many governments still underestimate both the scale and coherence of China's legal transformation, reacting to individual laws, regulations, or events that confront them. But neither should China's legal muscle be viewed narrowly through the lens of "lawfare", that is, as just a weapon for use in conflicts with other countries.

Sure enough, new legal instruments will have to be developed or sharpened and red lines drawn. Resilience, competitiveness, and attractiveness of one's own legal system need to be improved. Reducing Chinese leverage through trade diversification and stronger domestic industrial and innovation policies is equally essential.

However, foreign businesses and governments should not treat the foreign-related rule of law as an impenetrable wall and unequivocally hostile instrument, but rather as a structured negotiating environment in which legal compliance, proactive engagement with Chinese regulatory bodies, and

the utilisation of pre-filing consultations and diplomatic channels remain viable risk mitigation strategies.

Moreover, engagement with China's legal system may be inevitable and even beneficial. International law and institutions may need to be adapted and norms and standards reconsidered, especially when Chinese positions gain support among countries of the Global South.

The foreign-related rule of law signals a new phase in China's rise. No longer just participating in a global order shaped by others, China – just as the United States before it – has learned to use the law as a policy instrument. As a major plank of China's Global Security and Global Governance Initiatives, the country's legal system projects power and reshapes the international order. Other countries are well advised to treat it as such.

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