

## China Issues First Blocking Order

### From Legislation to Enforcement: A Watershed Moment in PRC Anti-Sanctions Architecture

On 2 May 2026, China's Ministry of Commerce ("**MOFCOM**") issued *Announcement No. 21 of 2026* ("**MOFCOM Announcement No. 21 of 2026**") – the first formal blocking order issued under the *MOFCOM Order No. 1 of 2021 on Rules on Counteracting Unjustified Extra-territorial Application of Foreign Legislation and Other Measures* (the "**Blocking Rules**").

The blocking order prohibits any recognition, execution or compliance with the U.S. sanctions imposed on five named Chinese petrochemical/ refining companies in connection with alleged Iran-related petroleum trade.

Coming on the heels of *State Council Order No. 835 on Regulations on Foreign Unlawful Extraterritorial Measures* effective from 13 April 2026 and MOFCOM's 2 May 2026 spokesperson statement on the U.S. Federal Communications Commission ("**FCC**") measures, the announcement marks a clear shift in China's anti-sanctions architecture from legislation to active implementation.

#### 1. The Blocking Order — What It Says and the Legal Basis

*MOFCOM Announcement No. 21 of 2026* was issued by the Blocking Rules Working Mechanism on 2 May 2026 and took effect on the date of publication. It is the first instrument of its kind to be issued since the Blocking Rules came in force.

##### Operative provision

The blocking order prohibits any party from recognising, executing or complying with the U.S. sanctions imposed under Executive Order No. 13902, Executive Order No. 13846 and other related instruments on the alleged grounds of participation in Iran-related petroleum trade, comprising placement on the U.S. Specially Designated Nationals (SDN) List, asset freezes and transaction prohibitions, in respect of the following five Chinese enterprises:

- › Hengli Petrochemical (Dalian) Refining & Chemical Co., Ltd.;
- › Shandong Shouguang Luqing Petrochemical Co., Ltd.;
- › Shandong Jincheng Petrochemical Group Co., Ltd.;

- › Hebei Xinhai Chemical Group Co., Ltd.; and
- › Shandong Shengxing Chemical Co., Ltd.

##### Statutory basis

*MOFCOM Announcement No. 21 of 2026* is expressly grounded in the following instruments:

- › the *National Security Law of the People's Republic of China* (2015);
- › the *Foreign Relations Law of the People's Republic of China* (2023);
- › the *Anti-Foreign Sanctions Law of the People's Republic of China* (2021) and its implementing provisions; and
- › Articles 2, 4, 6 and 7 of the *Blocking Rules* — with Article 7 being the operative provision empowering the Blocking Rules Working Mechanism to decide on issuing the blocking order.

This signals MOFCOM's intention to deploy the various components of China's anti-sanctions toolkit in an integrated, mutually-reinforcing manner.

## 2. Implications for Entities and Individuals in China

The blocking order is binding on Chinese citizens, legal persons and other organisations — a category that expressly includes PRC-incorporated subsidiaries, joint ventures and branches of foreign multinational groups. Its key practical implications are as follows:

- › Mandatory non-compliance. Chinese persons are prohibited from recognising, executing or complying with the listed U.S. sanctions vis-à-vis the five named enterprises. Any pre-existing internal compliance protocol that calls for the application of OFAC SDN measures against these entities could now be contrary to PRC law.
- › Reporting obligation. A Chinese citizen, legal person or other organisation that "encounters" foreign measures of the type contemplated by the *Blocking Rules* must, within 30 days, truthfully report the relevant circumstances to MOFCOM.
- › Private right of action. Affected Chinese parties may sue, in the PRC courts, any counterparty that has complied with the blocked U.S. measures resulting in infringement of the rights and interests of Chinese persons (e.g., by refusing to perform an existing agreements with one of the five named entities). They may also sue a party benefiting from a foreign judgment based on the blocked measures that result in losses of Chinese persons.
- › Administrative penalties. Failure of Chinese persons to report or to comply with the blocking order may attract warnings, rectification orders and fines.
- › Exemption (Article 8). Where compliance with the blocked U.S. measures is genuinely unavoidable, an application for exemption may be made to MOFCOM in writing. MOFCOM is required to decide within 30 days (expedited where the case is urgent). Multinational clients with dual exposure should consider whether to apply for an exemption.
- › Support measures for affected persons (Article 11). Where Chinese persons suffer

significant losses as a result of complying with blocking orders instead of complying with the relevant foreign laws or measures, the relevant government authorities may, based on the specific circumstances, provide necessary support.

## 3. Implications for Entities and Individuals Outside China

Although the blocking order is technically addressed to Chinese persons, its practical reach extends meaningfully beyond China and is of relevance to foreign multinationals, financial institutions and service providers in the following ways:

- › Subsidiaries, JVs and branches. Foreign multinationals with PRC subsidiaries, joint ventures or branches must consider whether those PRC entities are bound by the blocking order. In this regard, a PRC-incorporated subsidiary of a U.S., EU or APAC parent is a "legal person in China" for the purposes of the *Blocking Rules* and is subject to its provisions.
- › Direct conflict of laws. Compliance with the blocking order in respect of the five named entities may itself create exposure under U.S. secondary-sanctions regimes (50 U.S.C. § 1701 et seq., the Iran sanctions framework, and the relevant Executive Orders). Conversely, observance of the U.S. sanctions by a PRC subsidiary now exposes it to civil action under Article 9 of the *Blocking Rules*.
- › Counterparty due-diligence. Any non-Chinese entity dealing (directly or indirectly) with the five named enterprises or their group affiliates must navigate, in parallel, U.S. OFAC exposure and the risk that PRC counterparties will rely on the blocking order in commercial disputes.
- › Singapore and APAC implications. Singapore-based holding companies, trading desks, treasury centres, financiers and shipping/logistics operators in the petroleum value chain should review their direct and indirect exposure to the five named entities, as well as to other PRC entities that may foreseeably be the subject of further blocking orders.
- › Contractual review. Sanctions clauses, compliance representations, Material Adverse

Change provisions and termination rights in cross-border contracts with PRC counterparties should be stress-tested against the new live injunction regime, including by reference to potential PRC court relief sought by affected Chinese parties.

#### 4. Other Relevant Developments — State Council Order No. 835 and the FCC Statement

The blocking order does not stand alone. Two contemporaneous developments warrant equal attention.

##### (a) State Council Order No. 835 on Regulations on Foreign Unlawful Extraterritorial Measures ("State Council Order No.835")

State Council Order No. 835 entered into force on 13 April 2026. It is an administrative regulation and completes the existing regulatory framework regarding blocking rules. It provides for the following:

- › Identification mechanism. The Ministry of Justice is empowered to formally designate foreign measures as "foreign unlawful extraterritorial measures". Designation is by way of public announcement.
- › Anti-Execution Order. An entity-specific order prohibiting designated organisations or individuals from executing or assisting in the execution of an identified foreign measure. Anti-Execution Orders are served on a specific PRC compliance actor — meaning a Chinese subsidiary, or employee could be ordered not to apply a U.S. OFAC rule in a specific transaction.
- › Malicious Entity List (恶意实体清单). This is a new list targeting foreign organisations and individuals that promote or participate in foreign unlawful extraterritorial measures. Distinct from the existing Unreliable Entity List but with similar consequences (e.g., visa, residence, asset measures, etc.).
- › Civil cause of action. Similar to the private right of action under Article 9 of the *Blocking Rules*.
- › Exemption procedure. An exemption procedure is available, with specified

procedural and evidential requirements (unavoidability, national-interest impact, and compliance/ risk-control measures adopted).

##### (b) MOFCOM Spokesperson Statement on FCC Measures (2 May 2026)

On 30 April 2026, the FCC adopted measures intended to (i) revoke the eligibility of testing-and-certification bodies in countries that have not signed a "mutual recognition agreement" with the United States, and (ii) prohibit entities placed on the FCC "Covered List" from carrying on telecommunications business in the United States. The measures are to be opened for public consultation.

The MOFCOM spokesperson responded on 2 May 2026, characterising the FCC measures as discriminating against Chinese (and other) enterprises, abandoning the principle of technological neutrality, and broadening the concept of national security without factual basis and stating that should the U.S. persist on this course, China will take necessary measures.

Telecoms-equipment OEMs and certification bodies in the broader Asia-Pacific region (including Asian-headquartered groups certifying telecoms products into the U.S. market) should monitor the public-comment window once the FCC measures are published in the Federal Register.

#### 5. Conclusion — From Legislation to Implementation

For more than five years, China's blocking and anti-sanctions architecture has been notable mostly for being legislated but unused. The *Blocking Rules* sat dormant from their issuance in January 2021. The ASFL had been deployed sparingly, and *Order No. 835* was the next-generation overlay.

The 2 May 2026 blocking order is a watershed moment. China is now moving from declaring rules on paper to issuing live, entity-named operative orders that mandate non-compliance with foreign measures and — critically — give private parties a genuine route to civil litigation in the PRC courts.

Read together with *Order No. 835* and the FCC-related signalling, the regulatory landscape has tightened materially.

For multinational groups with operations in China — and for service providers (banks, trade-finance providers, certification bodies, advisers, consulting firms) interfacing with PRC entities — this creates a fresh and material layer of complexity for dual-compliance management:

- › Conflicts of law are no longer hypothetical. Where a PRC subsidiary is asked to apply a U.S. sanction or U.S. export-control rule, the parent obligation to direct compliance may now be in direct conflict with the Blocking Order. Administrative penalties for non-refusal, and civil liability to the affected PRC counterparty, are real possibilities.
- › Compliance functions must now consider changes required to navigate two equally binding sources of law (foreign sanctions / export controls vs. PRC blocking measures).
- › Exemption pathways under both Article 8 of the *Blocking Rules* and Articles 15–16 of *Order No. 835* should be mapped, scenario-tested, and considered where dual exposure is unavoidable.
- › The Malicious Entity List warrants close monitoring — particularly by foreign professional services firms operating in or via China.

To conclude, the era of the dormant PRC blocking regime is over. The architecture is now operational. Businesses with PRC nexus — inside or outside China — should plan for active deployment of these tools through the remainder of 2026 and beyond.

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- Trade-remedy proceedings (anti-dumping, countervailing duty, safeguards) before regional and national investigating authorities.
- FTA strategy and origin engineering across CPTPP, RCEP, ASEAN+1 FTAs, India's bilateral FTAs, and the EU/UK FTA matrix.
- Application for U.S. IEEPA tariff refunds as well as design and implementation of U.S. tariff mitigation strategies.
- Internal investigations, voluntary disclosures, and enforcement-defence in customs and trade-control matters.

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