US dollar and Chinese yuan banknotes alongside their respective national flags. Image: Shutterstock.

Contesting Regulatory Authority: China's Blocking Order and the Transformation of Global Economic Governance

Hussein Kalout & Philip Yang

CEBRI JOURNAL
Year 5 / No. 17 / 2026

POLICY ANALYSIS

Contesting Regulatory Authority: China's Blocking Order and the Transformation of Global Economic Governance

Hussein Kalout
Philip Yang

Abstract: The growing use of economic regulation as an instrument of geopolitical competition has transformed the contemporary global economy. This article examines China's Blocking Order issued by the Ministry of Commerce (MOFCOM) in May 2026 in response to US secondary sanctions targeting Chinese refineries importing Iranian oil. It argues that the measure represents not merely retaliation but the operationalization of a broader institutional strategy to challenge the regulatory authority underpinning the global economic order. Drawing on the literature on structural power, international authority, institutional change, and weaponized interdependence, the article shows how China's approach reflects a shift from economic adaptation to institutional contestation. It introduces the concept of the contestability of regulatory authority to explain how competing regulatory frameworks reshape the behavior of governments, multinational firms, and financial institutions. The article concludes that the emergence of multiple centers of regulatory authority is becoming a defining feature of the evolving global economic order, with significant implications for global economic governance and the strategic choices of middle powers.

Keywords: regulatory authority; international political economy; China; global economic governance; economic statecraft; sanctions; weaponized interdependence.

The increasing use of regulatory instruments as mechanisms of geopolitical competition constitutes one of the most significant transformations in contemporary international political economy. Economic sanctions, export controls, technological restrictions, investment screening mechanisms, and compliance requirements have come to play roles that transcend market regulation, becoming central instruments in the struggle for international influence. In this context, the ability to project norms beyond national borders has become an essential component of the exercise of international power.

This transformation has been widely recognized in the literature. The works of Susan Strange (1988), Robert Keohane (1984), John Ikenberry (2001), David Lake (2009), and, more recently, Henry Farrell and Abraham Newman (2019) have demonstrated that international influence depends not only on the distribution of material capabilities, but also on the capacity to structure institutions, networks, and regulatory mechanisms that guide the behavior of States and private agents. Together, these contributions explain how regulatory authority is produced, stabilized, and used as an instrument of power.

However, the reverse process remains less understood: under what conditions does an international regulatory authority cease to be an uncontested benchmark for organizing the global economy? Although the literature has consistently explained the consolidation of US regulatory authority over the last few decades, little attention has been paid to the institutional mechanisms through which this authority can be progressively challenged by other major powers.

This article addresses this gap by analyzing the Blocking Order issued by the Ministry of Commerce of the People's Republic of China on May 2, 2026. It argues that this episode represents not only a response to sanctions imposed by the United States against Chinese refineries involved in importing Iranian oil, but also reveals a deeper transformation: a shift from a strategy based predominantly on adapting to the rules of the international economic order to one oriented towards building institutional instruments designed to challenge the regulatory authority that underpins that order.

Hussein Kalout *is CEBRI-Journal's Editor-in-Chief, Member of the International Advisory Board at CEBRI, and a Ph.D. in International Politics from Lancaster University (United Kingdom). He is a Professor of International Relations at the University of São Paulo and Research Scholar at Harvard University (2013-2024). He served as Special Secretary for Strategic Affairs of Brazil (2016-2018).*

Philip Yang *is a member of the International Advisory Board at CEBRI and a former Brazilian diplomat with postings in Beijing and Washington, D.C. He is the founder of URBEM, a São Paulo-based institution dedicated to urban development, and currently serves as the COP30 Special Envoy for Urban Solutions.*

The central hypothesis of this article is that the Chinese strategy introduces a new stage in the competition between great powers. Instead of focusing exclusively on the struggle for markets, technologies, or financial flows, it shifts to the institutional mechanisms that produce regulatory compliance on an international scale. The object of competition ceases to be merely the control of economic flows and comes to involve the legitimacy of the norms that govern them.

This article offers three contributions to the literature on International Political Economy. The first is to broaden the debate on international authority by incorporating an analysis of the conditions under which regulatory authority becomes contestable. The second proposes a new interpretation of the recent evolution of Chinese economic law, understanding the legislative sequence initiated in 2021 as a coherent process of institutional strengthening rather than a succession of short-term responses to US sanctions. The third demonstrates that the growing rivalry between the United States and China should also be understood as a dispute over the production and coordination of the institutions that organize the international economy.

> *Chinese strategy introduces a new stage in the competition between great powers. (...) [I]t shifts to the institutional mechanisms that produce regulatory compliance on an international scale. The object of competition ceases to be merely the control of economic flows and comes to involve the legitimacy of the norms that govern them.*

To develop this argument, the article is organized into four sections, followed by a conclusion. The first revisits the literature on authority, institutions, and regulatory power in International Political Economy. The second analyzes the gradual construction of the Chinese legal framework between 2021 and 2026, demonstrating how this process culminated in the issuance of the Blocking Order. The third examines the implications of this episode for the contestability of international regulatory authority and for the fragmentation of global economic governance. The fourth discusses the consequences of this transformation for the evolution of the international economic order and analyzes its implications for middle powers, with special attention to the Brazilian case. The conclusion summarizes the article's central argument.

INTERNATIONAL REGULATORY AUTHORITY: POWER, INSTITUTIONS AND COMPLIANCE

Authority has occupied a central position in understanding political relations since the classical tradition of social theory. In Max Weber's formulation (1978 [1922]), it is distinguished from mere coercion by presupposing the recognition of the legitimacy of the rules that govern actors' behavior. This distinction has become particularly relevant to International Political Economy, whose literature has shown that the exercise of power in the global economy depends not only on the distribution of material resources but also on the capacity to build institutions, produce norms, and stabilize expectations.

Regulatory authority, therefore, manifests itself not only in the capacity to issue rules, but also in the capacity to induce compliance. This distinction allows for a reinterpretation of the concept of weaponized interdependence. (...) Networks do not produce authority in themselves; they operate on an institutional infrastructure that provides predictability to the decisions of companies, banks, and investors. When this infrastructure becomes the object of organized contestation, not only does the strategic use of the networks change, but also the conditions that sustain their very effectiveness.

This perspective was consolidated based on the contributions of Susan Strange (1988), Robert Keohane (1984), and John Ikenberry (2001). Although starting from different assumptions, these authors converge in recognizing that the international economic order rests on institutional structures that reduce uncertainties, coordinate expectations, and condition the behavior of States and private agents. Strange demonstrated that enduring forms of power derive from the capacity to shape the structures of production, finance, security, and knowledge. Keohane showed that institutions reduce transaction costs and expand cooperation even in contexts marked by the absence of central authority. Ikenberry, in turn, showed that the stability of the liberal order resulted not only from the material predominance of the United

States, but also from the institutionalization of this predominance in rules and organizations endowed with international legitimacy.

In the last two decades, this debate has been broadened by the literature on international authority and interdependence. David Lake (2009) defined authority as a relationship based on the legitimate acceptance of rules, distinguishing it from the permanent exercise of coercion. Barnett and Finnemore (2004) demonstrated that institutions exert power precisely because they produce categories, procedures, and patterns of behavior recognized as legitimate by international actors. Farrell and Newman (2019), in turn, revealed that global networks of finance, communications, and technology can be geopolitically instrumentalized by States occupying central positions within these structures.

These contributions have transformed the contemporary understanding of international power. However, they share an implicit assumption: regulatory authority appears predominantly as a consolidated asset, whose main analytical question is to explain how it is produced and used. Comparatively less attention has been paid to the circumstances in which this authority comes to be institutionally challenged.

> *The Chinese case allows us to observe a phenomenon that has been little explored in the literature: the deliberate attempt to construct institutional instruments designed to alter the incentives that underpin international regulatory compliance. The central question shifts from how regulatory authority is exercised to how it becomes contestable.*

This gap becomes particularly evident when observing the increasing use of economic law as an instrument of strategic competition. Secondary sanctions, export controls, technological restrictions, and compliance mechanisms exert influence because they produce relatively stable expectations about the costs of non-compliance with the rules that underpin them. The effectiveness of these instruments depends less on the frequency of their application than on private agents' willingness to proactively internalize these expectations. Regulatory authority, therefore, manifests itself not only in the capacity to issue rules, but also in the capacity to induce compliance.

This distinction allows for a reinterpretation of the concept of weaponized interdependence. Farrell and Newman demonstrate that States positioned at key nodes in global networks can transform interdependence into a strategic advantage. The argument developed in this article complements this interpretation by suggesting that the effectiveness of these networks depends equally on the institutional stability of the regulatory expectations that guide their operation. Networks do not produce authority in themselves; they operate on an institutional infrastructure that provides predictability to the decisions of companies, banks, and investors. When this infrastructure becomes the object of organized contestation, not only does the strategic use of the networks change, but also the conditions that sustain their very effectiveness.

It is precisely this transformation that guides the analysis developed in the following sections. The Chinese case allows us to observe a phenomenon that has been little explored in the literature: the deliberate attempt to construct institutional instruments designed to alter the incentives that underpin international regulatory compliance. The central question shifts from how regulatory authority is exercised to how it becomes contestable.

FROM ADAPTATION TO CONTESTATION: THE CONSTRUCTION OF THE CHINESE REGULATORY STRATEGY

Literature on China's rise often interprets its response to pressure from the United States as driven by two main factors: reducing economic vulnerabilities and strengthening domestic technological and financial capabilities. The gradual internationalization of the renminbi, the creation of the Cross-Border Interbank Payment System (CIPS), the expansion of Beijing-led financial institutions, and the promotion of the Belt and Road Initiative illustrate a strategy aimed at expanding Chinese economic autonomy. While these initiatives have reduced important sources of external dependence, they have not altered the central element of the international regulatory architecture: the United States' ability to project legal norms beyond its jurisdiction and induce compliance from private economic agents.

Until the early 2020s, the Chinese response remained predominantly adaptive. Companies, banks, and investors continued to structure their decisions around the risks posed by US sanctions and access to the international financial system. Consequently, China's growing economic capacity coexisted with persistent regulatory vulnerability. The expansion of economic power had not been accompanied by the creation of institutional mechanisms capable of protecting actors subject to Chinese jurisdiction from the extraterritorial application of foreign law.

This situation began to change in 2021. The publication of the *Rules on Counteracting Unjustified Extraterritorial Application of Foreign Legislation and Other Measures*

(Ministry of Commerce of the People's Republic of China 2021) introduced, for the first time, a legal mechanism specifically designed to address the effects of regulatory extraterritoriality. These so-called *Blocking Rules* authorized the Chinese Ministry of Commerce (MOFCOM) to assess foreign measures deemed unjustified and, where appropriate, prohibit their observance by individuals and legal entities subject to Chinese jurisdiction. More than a circumstantial response to Sino-American tensions, these rules established the institutional basis for a regulatory strategy aimed at reducing the ability of foreign norms to produce automatic effects within Chinese territory.

Until the early 2020s, the Chinese response remained predominantly adaptive. (...) China's growing economic capacity coexisted with persistent regulatory vulnerability. The expansion of economic power had not been accompanied by the creation of institutional mechanisms capable of protecting actors subject to Chinese jurisdiction from the extraterritorial application of foreign law.

A few months later, the approval of the *Law of the People's Republic of China on Counteracting Foreign Sanctions* (Standing Committee of the National People's Congress 2021), generally abbreviated as the *Anti-Foreign Sanctions Law*, significantly expanded this framework. The new legislation provided a legal basis for adopting countermeasures against individuals and organizations involved in implementing sanctions deemed harmful to Chinese national interests. Its significance, however, extends beyond the measures outlined in the legal text. By incorporating the response to foreign sanctions into domestic law, Beijing ceased treating the issue exclusively as a matter of foreign policy and began structuring it as a permanent State policy.

The consolidation of this process continued in the following years. The *Law on Foreign Relations of the People's Republic of China*, or *Foreign Relations Law*, enacted in 2023 (Standing Committee of the National People's Congress), strengthened the legal basis for adopting countermeasures against foreign actions deemed incompatible with China's sovereignty and development interests. In April 2026, new regulations concerning the extraterritorial application of foreign laws and the protection of supply chains expanded the State's administrative capacity to implement this normative framework. Viewed in perspective, these initiatives reveal a coherent strategy of institutional strengthening rather than a succession of episodic responses to Washington's decisions.

The Blocking Order issued by MOFCOM on May 2, 2026, operationalizes this legal framework. Its adoption occurred just days after the US Treasury Department imposed sanctions on Chinese refineries accused of importing Iranian oil in violation of restrictive measures administered by the Office of Foreign Assets Control (OFAC). Unlike previous episodes, however, Beijing did not primarily respond through diplomatic protests or trade retaliation. Instead, it chose to activate previously constructed legal instruments to limit the domestic effects of US regulatory authority.

This aspect constitutes the main turning point observed in the case analyzed. The objective of the Blocking Order was not to prevent the United States from continuing to apply its sanctions, but to alter the incentives faced by economic agents subject to Chinese jurisdiction. Multinational companies, financial institutions, and logistics operators began to face an environment characterized by the coexistence of potentially incompatible regulatory obligations. Compliance with the requirements of one jurisdiction may imply noncompliance with the rules of another.

From this perspective, the Chinese strategy should not be understood as a simple retaliation mechanism. Retaliation seeks to increase the political or economic costs imposed on the adversary. The construction of an alternative regulatory infrastructure produces a different effect: it modifies the institutional environment in which companies and financial institutions formulate their decisions. The dispute shifts from the application of sanctions to the organization of the incentives that underpin their effectiveness.

The objective of the Blocking Order was not to prevent the United States from continuing to apply its sanctions, but to alter the incentives faced by economic agents subject to Chinese jurisdiction. (...) The construction of an alternative regulatory infrastructure produces a different effect: it modifies the institutional environment in which companies and financial institutions formulate their decisions. The dispute shifts from the application of sanctions to the organization of the incentives that underpin their effectiveness.

This interpretation brings the Chinese case closer to the literature on gradual institutional change. As Thelen (2004) and Mahoney and Thelen (2010) observe, relevant institutional transformations often occur through the progressive accumulation of instruments that, in isolation, seem to have limited scope, but which, together, significantly alter the functioning of existing institutions. The evolution of Chinese legislation between 2021 and 2026 presents precisely this characteristic. Each legal instrument expands administrative competences, reduces normative gaps, and strengthens implementation mechanisms, culminating in an institutional capacity that did not exist at the beginning of the period.

The significance of the Blocking Order, therefore, goes beyond the specific episode of sanctions against Chinese refineries. The case demonstrates that international regulatory authority can become the object of organized institutional contestation. More than responding to a US measure, Beijing sought to create conditions to reduce, albeit in a limited and gradual way, the predictability with which norms produced in Washington are incorporated into the behavior of private economic agents. It is this transformation that allows us to understand the growing Sino-American rivalry not only as competition between material capabilities, but also as a dispute over the institutional organization of the international economy.

CONTESTING REGULATORY AUTHORITY: IMPLICATIONS FOR INTERNATIONAL ECONOMIC GOVERNANCE

The Chinese regulatory strategy has implications that transcend the episode of sanctions imposed on refineries that import Iranian oil. Its analytical significance lies in highlighting a transformation in the very nature of competition between great powers. The object of the dispute is no longer limited to the control of markets, technologies, or financial flows, but now incorporates the capacity to produce, sustain, and challenge the norms that organize the functioning of the international economy.

This finding calls for a review of a widely held assumption in the literature on global economic governance. Since the 1990s, the expectation has been consolidated that the intensification of economic interdependence would favor regulatory convergence and the strengthening of multilateral institutions. The increasing integration of international markets would produce incentives for the harmonization of norms, reducing transaction costs and increasing the predictability of international economic relations (Keohane 1984; Ikenberry 2001).

The recent evolution of Sino-American rivalry, however, points to a different dynamic. Economic interdependence has not eliminated geopolitical competition;

on the contrary, it has expanded the number of instruments available for its exercise. Farrell and Newman (2019) demonstrated that highly centralized global networks can serve as mechanisms of coercion by States positioned at their core nodes. The case analyzed in this article adds an additional dimension to this debate. The dispute ceases to focus solely on the control of these networks and begins to involve the regulatory authority responsible for disciplining their operation.

This change has important consequences. The effectiveness of secondary sanctions, export controls, and international *compliance programs* depends on the expectation that private agents will continue to recognize a particular set of rules as the predominant reference for their decisions. When another major power develops instruments capable of altering this expectation, it modifies not only the application of specific measures but also the institutional stability that underpins their effectiveness.

> *Economic interdependence has not eliminated geopolitical competition; on the contrary, it has expanded the number of instruments available for its exercise. (...) The dispute ceases to focus solely on the control of [highly centralized global networks that serve as mechanisms of coercion by States positioned at their core nodes] and begins to involve the regulatory authority responsible for disciplining their operation.*

The Chinese response must be understood precisely within this context. The Blocking Order does not eliminate the US capacity to apply extraterritorial sanctions, nor does it replace the centrality of US financial institutions. Its effect is subtler and, therefore, more relevant. By introducing potentially incompatible legal obligations for companies and financial institutions subject to different jurisdictions, the measure reduces the predictability that characterized the US regulatory authority. From that moment on, compliance decisions cease to be determined by a single normative center and begin to reflect the coexistence of different regulatory regimes.

This transformation can be interpreted as a manifestation of a broader process of institutional fragmentation of international economic governance. It is important, however, to distinguish between institutional fragmentation and economic fragmentation. The argument developed in this article does not presuppose the disruption of global production chains or the collapse of international financial integration. Markets can remain deeply integrated while the mechanisms that regulate their functioning become progressively more plural. Economic integration and regulatory convergence thus cease to be necessarily complementary processes.

This perspective also allows us to qualify the debate on hegemonic transitions. Part of the literature interprets the growing Sino-American rivalry as evidence of the gradual replacement of the US-led order by an alternative architecture. The case analyzed suggests a different interpretation. The ongoing process is characterized less by the replacement of one order by another than by the coexistence of competing regulatory centers. The competition shifts to the capacity to produce normative conformity in environments marked by overlapping jurisdictions.

From this perspective, the main innovation of the Chinese strategy is to demonstrate that international regulatory authority is no longer an uncontested institutional asset. This change does not, in itself, alter the global distribution of power, but it modifies the institutional environment in which this distribution operates. Companies, banks, and governments are increasingly factoring in the possibility of regulatory conflicts across different centers of authority, expanding the geopolitical dimension of economic decisions.

The Chinese case, therefore, serves as an indicator of broader institutional transformation. Competition between great powers now involves not only the capacity to produce rules, but also the capacity to limit the effectiveness of the rules produced by their competitors. International economic governance is thus increasingly characterized by the coexistence of different regulatory infrastructures, whose interactions are likely to redefine the patterns of coordination of the global economy in the coming decades.

MIDDLE POWERS AND THE RECONFIGURATION OF THE INTERNATIONAL REGULATORY ENVIRONMENT

The growing challenge to international regulatory authority is producing effects that extend beyond the rivalry between the United States and China. As international economic governance becomes structured around multiple centers of normative production, middle powers face an institutional environment qualitatively different from that which guided strategies of integration into the international economy over the last three decades. The central question is no longer merely how to position oneself in the face of competition between great powers, but rather involves the capacity to manage the coexistence of potentially incompatible regulatory regimes.

The literature on middle powers has identified three predominant strategies for international influence: institutional multilateralism, diversification of partnerships, and coalition building (Hurrell 2006; Acharya 2018). These strategies were developed in an environment where, although politically contested, the international regulatory regime possessed a relatively stable normative center. Partnership diversification provided greater room for maneuver without implicating direct regulatory conflicts; multilateralism offered forums for collectively negotiating norms; and coalitions among countries of the Global South expanded bargaining power without requiring institutional ruptures. All these strategies presuppose, albeit implicitly, that the norms organizing the international economy are sufficiently consensual for collective action to produce broadly shared outcomes.

> *(...) middle powers face an institutional environment qualitatively different from that which guided strategies of integration into the international economy over the last three decades. The central question is no longer merely how to position oneself in the face of competition between great powers, but rather involves the capacity to manage the coexistence of potentially incompatible regulatory regimes.*

The pluralization of regulatory authority structurally modifies this assumption. When different jurisdictions impose incompatible regulatory obligations–and when both have the capacity to impose costs for non-compliance–the diversification of partnerships can create multiple regulatory exposures rather than increased autonomy. Companies from middle powers simultaneously integrated into North American and Chinese value chains face not only commercial decisions but also decisions about which regulatory regime to follow when the two conflict.

This transformation introduces a typology of vulnerabilities specific to different categories of middle powers. States with high financial exposure to the dollar-centric system–which underpins the effectiveness of US sanctions–have limited capacity to circumvent OFAC requirements without incurring prohibitive costs to their banking system and foreign trade operations. At the same time, States with high trade dependence on China–particularly commodity exporters–also face significant challenges. They have strategic incentives not to alienate Beijing through unrestricted adherence to the US sanctions regime. The combination of these two vulnerabilities defines a narrow corridor of regulatory autonomy for States such as Brazil, Argentina, Indonesia, South Africa, and Turkey.

The Brazilian case illustrates this dilemma with particular clarity. Its international integration combines three characteristics that simultaneously amplify the opportunities and vulnerabilities arising from regulatory fragmentation. First, Brazil integrates the international financial system predominantly through dollar-centric infrastructure: its international reserves are mostly denominated in dollars, its access to capital markets depends on risk ratings produced by US agencies, and its banks operate under the supervision of correspondents that comply with OFAC requirements. Second, China has become the main destination for Brazilian exports–accounting for approximately 28,7% of the total in 2025 (Brazil 2025; United Nations Statistics Division 2025)–and is also a growing source of investment in strategic sectors such as energy, mining, and telecommunications. Third, Brazil has deep technological, institutional, and regulatory ties with the United States, especially in the financial, pharmaceutical, and information technology sectors.

This triple insertion produces three types of concrete regulatory exposure. The first concerns **business operations in sensitive sectors.** Brazilian companies that operate simultaneously in markets subject to US sanctions and Chinese countermeasures–such as the energy sector, where Petrobras maintains commercial relationships with partners in jurisdictions monitored by OFAC–may find themselves forced to choose between regulatory regimes or to restructure operations to isolate jurisdictional exposures.

The second type of exposure concerns **technological infrastructure decisions**. The Huawei case exemplifies one dimension of this dilemma that predates the 2026 Blocking Order: US pressure to exclude Chinese equipment from fifth-generation telecommunications networks created a conflict between Brazil's trading partners and, potentially, between the regulatory regimes applicable to companies operating in Brazilian territory. The Chinese measure of 2026 is likely to increase the frequency and intensity of this type of dilemma in additional sectors.

The third type of exposure concerns the **financial system**. Brazilian banks with foreign exchange operations, trade credit, or asset custody for counterparties exposed to conflict jurisdictions will need to develop comparative regulatory analysis capabilities that, until recently, were required only of large global financial institutions. The cost of compliance tends to increase, and the distribution of this cost among institutions of different sizes will affect the structure of the domestic financial system.

Given this scenario, the capacity of middle powers to respond depends less on declarative political choices–alignment or non-alignment–than on the development of specific institutional capacities. Three dimensions appear particularly relevant.

The first is **comparative domestic regulatory capacity:** the ability to understand, monitor, and eventually negotiate interactions among the regulatory regimes applicable to national economic agents. This requires not only specialized legal expertise within regulatory agencies, but also mechanisms for coordinating economic, foreign, and industrial policies that are rarely consolidated in developing economies.

The second is the **diversification of payment and financial settlement infrastructures**: exclusive reliance on dollar-centric infrastructure increases vulnerability to US sanctions and reduces the ability to operate in environments of regulatory conflict. The gradual development of alternative channels–including systems such as CIPS and currency swap agreements–does not eliminate dependence on the dollar, but it expands the room for maneuver in conflict situations.

The third is **strategic autonomy in managing investment in sensitive sectors**: the absence of robust screening mechanisms in telecommunications, energy, rare-earth mining, and semiconductors exposes middle powers to cross-pressures from both major powers. Developing such administrative capacity is necessary to navigate an environment in which investment decisions carry growing regulatory implications.

Specifically for Brazil, these considerations reinforce the relevance of an international insertion strategy that combines economic openness with robust domestic institutions. Regulatory autonomy is not achieved through declarations of equidistance between major powers–a stance that tends to produce strategic ambiguity without generating the capacity for independent action–but through continued investment in institutions capable of managing the growing normative complexity of the international economic environment. In this sense, the transformation analyzed throughout this article is not only a problem of the international politics of major powers. It is also an institutional construction challenge for States that intend to preserve margins of autonomous decision-making in a system characterized by the coexistence of multiple centers of regulatory authority.

CONCLUSION

This article investigated the conditions under which an international regulatory authority ceases to be an uncontested benchmark for the organization of the global economy. Based on an analysis of the Blocking Order issued by the Ministry of Commerce of the People's Republic of China in May 2026, it argued that the growing rivalry between the United States and China has incorporated a dimension that has been insufficiently explored in the literature: the dispute over the regulatory authority that organizes the functioning of the international economy.

The analysis demonstrated that the Chinese strategy cannot be understood as a temporary response to US sanctions. The reconstruction of regulatory evolution between 2021 and 2026 revealed a gradual process of institutional strengthening aimed at reducing the regulatory vulnerability of the Chinese economy to the extraterritorial application of foreign law. In this context, the Blocking Order operationalizes a legal framework designed to alter the incentives faced by companies and financial institutions subject to Chinese jurisdiction.

This interpretation allows us to qualify the contemporary debate on international authority. The literature has convincingly demonstrated how States use institutions, economic networks, and regulatory mechanisms to project influence beyond their borders. The case analyzed highlights a complementary dimension of this process: regulatory authority can also become the object of institutional contestation. Competition between great powers thus involves not only the production of norms, but also the construction of instruments designed to limit the effectiveness of norms produced by other jurisdictions.

Competition between great powers thus involves not only the production of norms, but also the construction of instruments designed to limit the effectiveness of norms produced by other jurisdictions. (...) [T]he next stage of competition between great powers will be marked by the increasing use of law, regulation, and institutions as instruments of power. Regulatory authority ceases to be merely a component of the global economic order and becomes one of the main arenas of competition in contemporary international politics.

The argument developed in this article does not presuppose the decline of US regulatory centrality nor the immediate emergence of an alternative order led by China. The evidence points to a more gradual transformation. The US regulatory infrastructure remains predominant but no longer operates in an environment devoid of institutional alternatives. The main novelty lies in the increasing contestability of this authority, a phenomenon that tends to increase the complexity of international economic governance and raise coordination costs for States and private actors.

This transformation has implications that go beyond the bilateral relationship between Washington and Beijing. The coexistence of different centers of regulatory authority tends to alter investment decisions, compliance structures, industrial policies, and international insertion strategies. For middle powers, such as Brazil, the challenge shifts from choosing between rival poles to strengthening the institutional capacities needed to operate in an increasingly plural regulatory environment.

In broader terms, the Chinese case suggests that the next stage of competition between great powers will be marked by the increasing use of law, regulation, and institutions as instruments of power. Understanding how these institutions are constructed, contested, and transformed is a central task for International Political Economy. Regulatory authority ceases to be merely a component of the global economic order and becomes one of the main arenas of competition in contemporary international politics.

Bibliographic References

Acharya, Amitav. 2018. *The End of American World Order.* 2nd ed. Cambridge: Polity Press.

Baldwin, David A. 1985. *Economic Statecraft*. Princeton: Princeton University Press.

Barnett, Michael & Martha Finnemore. 2004. *Rules for the World: International Organizations in Global Politics*. Ithaca: Cornell University Press.

Blackwill, Robert D. & Jennifer M. Harris. 2016. *War by Other Means: Geoeconomics and Statecraft*. Cambridge: Harvard University Press.

Bradford, Anu. 2020. *The Brussels Effect*. Oxford: Oxford University Press.

Bradford, Anu. 2023. *Digital Empires*. Oxford: Oxford University Press.

Brazil. Ministry of Development, Industry, Trade and Services. Secretariat of Foreign Trade. 2025 *Foreign Trade Statistics*. https://www.gov.br/mdic/pt-br/assuntos/comercio-exterior/estatisticas.

Buxbaum, Hannah L. 2009. "Territory, Territoriality, and the Resolution of Jurisdictional Conflict." *American Journal of Comparative Law* 57 (3): 631-676. https://doi.org/10.5131/ajcl.2008.0018.

Chaisse, Julien. 2022. *China's International Economic Law and Policy.* Cheltenham: Edward Elgar.

Chin, Gregory T. 2015. "China's Bold Economic Statecraft." *Current History* 114 (773): 217-223. https://doi.org/10.1525/curh.2015.114.773.217.

Creemers, Rogier. 2022. "China's Emerging Data Governance Framework." *New America*.

Drezner, Daniel W. 1999. *The Sanctions Paradox*. Cambridge: Cambridge University Press.

Drezner, Daniel W. 2011. "Sanctions Sometimes

Smart: Targeted Sanctions in Theory and Practice." *International Studies Review* 13 (1): 96-108. https://doi.org/10.1111/j.1468-2486.2010.01001.x.

Farrell, Henry & Abraham L. Newman. 2019. "Weaponized Interdependence: How Global Economic Networks Shape State Coercion." *International Security* 44 (1): 42-79. https://doi.org/10.1162/isec_a_00351.

Gilpin, Robert. 1981. *War and Change in World Politics.* Cambridge: Cambridge University Press.

Goddard, Stacie E. & Daniel H. Nexon. 2016. "The Dynamics of Global Power Politics: A Framework for Analysis." *Journal of Global Security Studies* 1 (1): 4-18. https://doi.org/10.1093/jogss/ogv007.

Hurrell, A. 2006. "Hegemony, Liberalism and Global Order: What Space for Would-be Great Powers?" *International Affairs* 82 (1): 1-19. https://doi.org/10.1111/j.1468-2346.2006.00512.x.

Ikenberry, G. John. 2001. *After Victory: Institutions, Strategic Restraint and the Rebuilding of Order after Major Wars*. Princeton: Princeton University Press.

Ikenberry, G. John. 2011. *Liberal Leviathan*. Princeton: Princeton University Press.

Keohane, Robert O. 1984. *After Hegemony: Cooperation and Discord in the World Political Economy*. Princeton: Princeton University Press.

Krasner, Stephen D. 1999. *Sovereignty: Organized Hypocrisy.* Princeton: Princeton University Press.

Lake, David A. 2009. *Hierarchy in International Relations*. Ithaca: Cornell University Press.

Mahoney, James & Kathleen Thelen. 2010. "A Theory of Gradual Institutional Change." In *Explaining Institutional Change: Ambiguity, Agency, and Power*, edited by James Mahoney & Kathleen Thelen, 1-37. Cambridge: Cambridge University Press.

Ministry of Commerce of the People's Republic of China. 2021. *Rules on Counteracting Unjustified Extraterritorial Application of Foreign Legislation and Other Measures*. Order No. 1 of 2021. January 9, 2021. https://english.mofcom.gov.cn/.

Ministry of Commerce of the People's Republic of China. 2026. *Announcement on the Blocking Order Concerning US Iran-Related Sanctions against Five Chinese Companies*. May 2, 2026. https://www.mofcom.gov.cn/zwgk/zcfb/art/2026/art_0ff88c45f1974962a539775085014888.html.

North, Douglass C. 1990. *Institutions, Institutional Change and Economic Performance*. Cambridge: Cambridge University Press.

Ryngaert, Cedric. 2021. *Jurisdiction in International Law*. 3rd ed. Oxford: Oxford University Press.

Scott, Joanne. 2014. *The New EU Extraterritoriality*. Oxford: Hart Publishing.

Standing Committee of the National People's Congress. 2021. *Law of the People's Republic of China on Counteracting Foreign Sanctions*. Adopted June 10, 2021. https://www.npc.gov.cn/englishnpc/c23934/202112/t20211209_385424.html.

Standing Committee of the National People's Congress. 2023. *Law on Foreign Relations of the People's Republic of China*. Adopted June 28, 2023. https://en.npc.gov.cn/2023-06/28/c_898457.htm.

Strange, Susan. 1988. *States and Markets*. London: Pinter.

Thelen, Kathleen. 2004. *How Institutions Evolve*. Cambridge: Cambridge University Press.

United Nations Statistics Division. 2025. *UN Comtrade Database*. https://comtradeplus.un.org.

Verdier, Pierre-Hugues. 2022. "The New International Law of Compliance." *George Washington Law Review* 90 (3): 731-802.

Weber, Max. 1978 [1922]. *Economy and Society*. Berkeley: University of California Press.

Zhang, Angela Huyue. 2021. *Chinese Antitrust Exceptionalism*. Oxford: Oxford University Press.

Zhang, Angela Huyue. 2024. *High Wire: How China Regulates Big Tech and Governs Its Economy*. Oxford University Press.

To cite this work: Kalout, Hussein & Philip Yang. 2026. "Contesting Regulatory Authority: China's Blocking Order and the Transformation of Global Economic Governance." *CEBRI-Journal* Year 5, No. 17: 145-162.

DOI: https://doi.org/10.54827/issn2764-7897.cebri2026.17.03.02.145-162.en

Submitted: July 24, 2026
Accepted for publication: August 4, 2026