



The Chinese State Goes Abroad

Beijing's New Outbound Investment Regime

Stefanie Kam



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KEY TAKEAWAYS

- *China's 2026 Regulation on Overseas Investment signals a shift from enabling outbound capital to actively steering it as the law catches up with its "Going Out" strategy.*
- *The regulation has three aims: blocking offshore transfers of sensitive Chinese technologies, protecting Chinese investors/investments and national overseas interests, and authorising defensive measures against foreign trade barriers.*

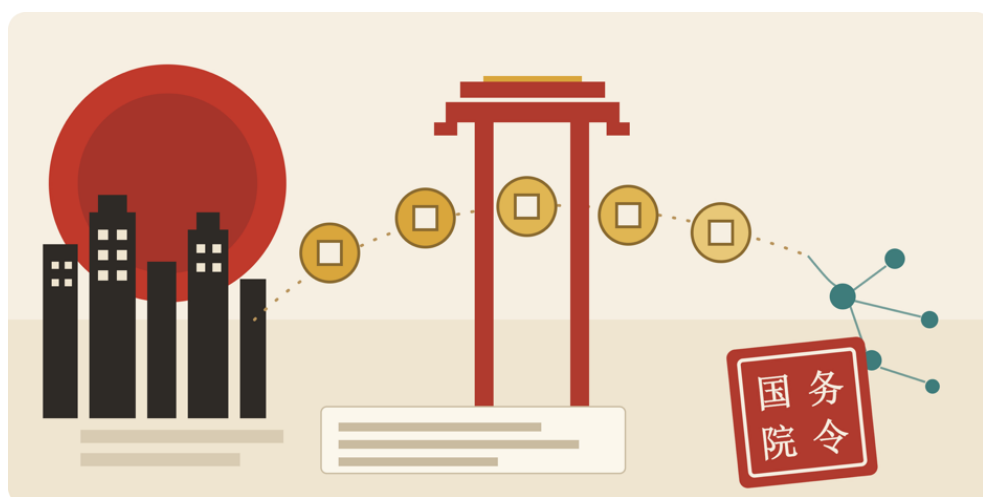
COMMENTARY

On 1 July 2026, China's [Regulation on Overseas Investment](#) entered into force after it was adopted by the State Council three months earlier. The regulation represents a significant development for the country as it grants Beijing legislative powers over outbound capital at a time when Chinese investors are expanding overseas and facing heightened foreign scrutiny. China's state media [Xinhua](#) reported outbound direct investment of roughly US\$63 billion in the first four months of 2026 alone.

The regulation replaces scattered ministerial rules from the National Development and Reform Commission (NDRC), the Ministry of Commerce (MOFCOM) and the State Administration of Foreign Exchange (SAFE) with a single State Council instrument of [34 articles](#). It grants individual Chinese residents their first statutory basis to invest abroad and completes what [Chinese commentary](#) calls the legal tools governing the outbound wing of a system, complementing the legal tools that govern inbound capital in the form of the [Foreign Investment Law](#).

China's "Going Out" Strategy and Capital

The capital this regulation governs is the product of a deliberate quarter-century strategy, born of pressure as much as ambition. By the late 1990s, China had swelling industrial overcapacity and foreign reserves piling up faster than they could be used at home. The answer, formalised in 1999 and written into the [Tenth Five-Year Plan of 2001](#), was to send companies out: "Going Out" (走出去), in the official phrase. The strategy served three purposes: promoting exports and outward investment where Chinese firms held a comparative advantage, securing the resources China lacked at home, and building firms capable of competing internationally.



China's 2026 Regulation on Overseas Investment is the product of a deliberate quarter-century strategy, born of pressure as much as ambition. *Image generated by the author using Fable 5.*

Unlike Western capital, Chinese firms sold goods abroad first, then built abroad, winning infrastructure contracts across the developing world, and only then bought and owned assets abroad. The construction contracts opened the doors that investments later walked through, which is why Chinese companies were building ports years before they were buying them. The state travelled alongside throughout, with [policy banks, subsidised credit and overseas industrial zones](#) that packaged China's own development model for export. The [Belt and Road Initiative](#), launched in 2013, gave all this a geography and a slogan. By 2015, [UNCTAD's World Investment Report 2016](#) ranked China among the world's largest outbound investors.

The composition of Chinese investment overseas changed with the rise in different forms of capital. Western screening closed the door on technology acquisitions. Chinese capital then [shifted](#) from buying to building electric vehicle, battery and electronics plants, much of it in Southeast Asia. The new regulation is the state's legal system catching up with the success of China's Going Out strategy and outbound capital flows and deciding to steer it.

Evolution of China's Outbound Investment Regime

From [2004](#), any Chinese entity investing abroad had to pass through a tripartite system: project approval from the [NDRC](#), investment approval from MOFCOM, and

foreign-exchange registration with the SAFE. A decade later, the [NDRC Order No. 9 of 2014](#), with parallel MOFCOM measures, converted most transactions from approval to simple filing, reserving approval for sensitive countries and sectors.

By late 2016, Beijing had a problem: money was flooding out of the country faster than it was coming in, draining the national reserves and dragging the currency down. The re-tightening proceeded through three channels. First was informal window guidance, which choked off large acquisitions in real estate, hotels, entertainment and sports. Second, the [State Council–approved “Guiding Opinions” of August 2017](#) then formalised the clampdown, sorting outbound investment into encouraged, restricted and prohibited categories. Third, the [NDRC Order No. 11, issued in 2017 and effective from 2018](#), closed the remaining gap, extending regulatory coverage to offshore vehicles controlled by Chinese parties.

The penalties that accompanied enforcement were rarely published. Enforcement worked through quieter instruments that saw the disciplining of conglomerates. Regulators [seized Anbang](#), one of China’s largest insurance conglomerates, in 2018 and jailed its chairman. [HNA](#), a multinational conglomerate involved in aviation transport, airport operations, hotel management and financial services, collapsed into bankruptcy restructuring by 2021. Officially, these were financial risk and criminal cases involving Chinese companies investing abroad.

The 2026 Regulation on Overseas Investment

The latest [regulation](#) elevates the field from ministerial rules to administrative regulation. First, it adds national security review (Article 15) and restrictions on indirect technology and data transfer (Article 13) to [block offshore transfers of sensitive Chinese technologies](#). The regulation grants Beijing control over Chinese-origin technology. Earlier, in April, China [blocked Meta's acquisition of Manus](#), an artificial intelligence start-up founded in China but re-registered in Singapore. Article 13 gives Chinese companies investing abroad a legal basis to refuse to transfer technology to host countries. This will reduce the incentive for many developing countries to seek Chinese foreign direct investment because their [primary interest is in acquiring the knowledge and technology transfers](#) that usually accompany such investments.

Second, it protects investors and their investments and national overseas interests through monitoring and risk warning (Article 18), international law-enforcement cooperation and treaty-making (Article 19), consular protection (Article 20), dispute resolution (Article 21), and investigations and countermeasures (Articles 23–25). The reference case in protection for Chinese investors abroad is [Nexperia](#), the Dutch semiconductor firm seized from China's Wingtech Technology by the Dutch government in late 2025, a move to which Beijing responded by [choking exports](#) from the firm's assembly plant in Dongguan.

Third, it authorises investigations of foreign trade–related investment barriers and responsive measures (Articles 23–24).

Chinese Capital Meets the Outbound Investment Regime

China is now the first major capital exporter to run outbound investment as explicit industrial policy with legal retaliation tools. Beyond companies going global, the state is now globalising its economic model in the form of its outbound investment law.

Geographically, as screening regimes in the United States, Europe and their allies have made investment in these former destinations slow, politically charged and uncertain, Chinese capital is being redirected to states across Southeast Asia, the Gulf, and parts of Eastern Europe and North Africa that treat Chinese investment as an anchor rather than a threat.

Sectorally, the era of exporting surplus steel, cement and construction capacity is giving way to battery and electric vehicle supply chains, critical minerals and digital infrastructure. Capital outflows now follow China's technological strengths.

Structurally, private firms do more of the investing while the state does more of the steering. The latest regulation formalises that division. It provides services and protection for the capital flows that Beijing favours, review and licensing for the capabilities that, in its view, should not leave the country, and, for the first time, a legal framework that brings Chinese individuals investing overseas into the system. In view of this latest regulation, Chinese investment abroad will reorient rather than retreat, and it will look more aligned with the state.

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