Foreign Policy Implications for China’s “Foreign-Related ‘Rule of Law’”

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Abstract

In 2020, the Chinese Communist Party (CCP) launched the “foreign-related ‘rule of law’” (shewai fazhi) reform (hereinafter FROL), a reform that purports to modernize the intersection between Chinese domestic law and foreign and international law. While like many of China’s outward-facing initiatives, the FROL is more a loosely-defined political discourse than a clear policy, this paper argues that the FROL may potentially have implications for the role of Chinese law in China’s evolving foreign policy engagements. There are two overlapping contexts for the FROL: the first is the U.S.-China trade war and the exercise of lawfare in shaping that trade war. This context is mainly defensive in nature as China responds to what it perceives to be the unfair exercise of U.S. long-arm jurisdiction and economic sanctions. In response, China is learning from the U.S. in terms of building out some of the extraterritorial aspects of its own legal system. The second context is a more assertive one as the CCP proposes “Chinese-style modernization” (Zhongguoshi xiandaihua) for developing states around the world, and specifically an alternative to that endorsed by the U.S. and its allies. Although Chinese-style modernization is more a creature of policy than formal law, law is also becoming an important element in China’s approach. Against this backdrop, the FROL seeks to promote China’s definition of “rule of law” (fazhi) overseas and to integrate Chinese law into foreign and international law. The paper proceeds by describing the FROL, its sources and authorities, explains how domestic Chinese proponents have engaged with the reform to date, and then proposes key implications for China’s foreign policies regarding both the U.S. and Global South partners.

Introduction

The “Belt and Road Initiative” (BRI) announced to great fanfare in 2013 by Xi Jinping, General Secretary of the Chinese Communist Party (CCP) and President of the People’s Republic of China (PRC), is conventionally analysed through its material and visible attributes, namely massive infrastructure and energy projects built by Chinese contractors throughout the Global South, yet there are also increasingly less visible dimensions of the BRI, including “soft infrastructures,” namely the normative sources that undergird such projects, including domestic and transnational law, policy, and standards. These normative sources are becoming increasingly relevant pursuant to the “foreign-related ‘rule of law’” (shewai fazhi or FROL) initiative.1 Announced in 2020 by Xi, the FROL is a broad political discourse that is easier to define by what it is not than what it is. Contrary to one popular interpretation, FROL

is not the imposition of Chinese “rule of law” on weak states. China has neither the political will nor the capacity to do so. Rather, FROL is a much more nuanced and multi-directional integration of Chinese law into foreign and international law. Specifically, it seeks to modernize the intersection of China’s domestic legal system and foreign and international law, that is, to improve its private international rules (what in the U.S. common law is called “conflict of laws”) and also foreign relations law. The first pertains to the problem in transnational litigation when judges are confronted with commercial disputes featuring laws from more than one legal system. The second pertains to the delegation of power under domestic constitutional law for dealing with international law questions.

The FROL shows how China is fighting two interrelated battles. The first and foremost one is adversarial. China seeks to confront what it perceives to be the unlawful use of extraterritoriality by the U.S. in the context of the U.S-China trade war. Hence, the FROL is facially defensive in nature and designed to build countermeasures to U.S. long-arm statutes. The second one is based on partnership, not adversarialism. China’s relationship with BRI states in the Global South increasingly feature elements of law and legal development assistance as part of China’s foreign policy. This prong of the FROL dovetails with “Chinese-style modernization” (Zhongguoshi xiandaihu), another major political concept, and one based on the idea that China’s approach to economic development provides an alternative to that of the United States for low-income and middle-income states. Under the “Chinese-style modernization,” then, Chinese parties are attempting to build platforms from which China’s version of “rule of law” can gain greater traction in matters pertaining to foreign and international law.

The remainder of this essay provides a primer on the FROL and its policy implications. It first defines the FROL, including its sources and authorities. Next, it assesses how the FROL and “Chinese-style modernization” may be interacting in China’s foreign policy toward developing countries. China’s overtures may be met with different responses in host states. Third, I provide some suggestions in terms of both U.S. and host state response to the FROL.

The “Foreign-Related ‘Rule of Law’”

Like much of China’s political discourse, the FROL is a vague and expansive concept that would seem to apply to almost everything and nothing at once. Many policymakers in Western states with whom I’ve discussed the FROL assume, based on its English translation, that it means China seeks to impose its variant of “rule of law” on other states. Such interpretations are perhaps informed by certain assumptions about “Global China” and its intentions particularly in developing countries. Based on a review of the Chinese language literature and conversations with leading Chinese legal scholars, it is clear to me that, first, there is no real consensus on what the FROL means in China and, second, even if China wanted to impose its version of “rule of law” on other states (and it is not evinced in policy documents or statements, official or otherwise, that this is the case), it sorely lacks the capacity to do so. China does not have the “rule of law” industry that the U.S. has
(e.g., programs under the USAID, civil society actors like the Ford Foundation, or academic powerhouses like Yale Law School). The COVID-19 pandemic has laid bare some of these inadequacies. While there is perhaps greater political unity between official and semi-official actors in the PRC, in that they all operate within certain frameworks established by the CCP, that coherence does not exactly translate into coherent policy implementation.

The FROL has a very strong political, if not instrumentalist, flavour, some of which perhaps leads to the Anglophone interpretation of the FROL as a strategy of legal domination. When he announced the FROL in 2020, Xi did so “to safeguard national sovereignty, dignity, and core interests [and to] promote the reform of global governance...”2 Importantly, foreign and domestic “rule of law” are not mutually exclusive; in Xi’s formulation, the FROL operates in concert with ongoing domestic “rule of law” reform. The term often used in political statements that mention the FROL is “holistic promotion” (tongchou tuijin).3 Hence, just as building a domestic legal system was part of a political project to foment economic development under the leadership of the CCP, so, too is the FROL an outward-facing equivalent. Pursuant to Xi’s announcement, Chinese legal scholars have been working to further clarify and define the concept. Definitions vary from “two directions for constructing the rule of law in China” to “a useful experience in the construction of the rule of law in other countries” to “a governance model that aims to protect the concept, system, implementation mechanism, and order of the rule of law to foreign parties or overseas through domestic unilateral measures or international cooperation.”4

In terms familiar to lawyers, the FROL can most easily be understood as generating rules, laws, and institutions, including education and training, to modernize the interface between PRC domestic law and foreign and international law. The analogue in the U.S. common law system is a combination of “conflict of laws,” what in China’s civil law system is referred to as “private international law” and also “foreign relations law.” China’s private international law rules are well established but also in need of updating. The main piece of legislation for private international law is the Civil Procedure Law of the PRC which is supplemented by the more specialized Law on Choice of Law for Foreign-Related Civil Relationships (LAL) which governs conflict of laws in people’s courts.5 A number of judicial interpretations have also been issued by the Supreme People’s Court (SPC) to address additional issues. Reform is afoot, however, in the form of the Civil Procedure Law of the PRC (amendment draft), which proposes a number of articles

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3 Ibid.

4 See infra note 1 at 797-98.

specifically related to foreign-related civil procedure. These include rules pertaining to jurisdiction, service of process, the use of evidence overseas, and the recognition and enforcement of foreign judgments.\(^6\)

China’s foreign relations law regime is more nascent. The PRC Constitution provides for a basic framework for understanding which governmental authorities have what kinds of power to engage in questions of international law.\(^7\) For example, the National People’s Congress has powers to decide on “questions of war and peace” and within the NPC, the Standing Committee has the power to decide on treaty ratification or abrogation. On the side of the executive authorities, the State Council has the power to “conduct foreign affairs and conclude treaties and agreements with foreign states.” Curiously, the Constitution leaves little authority to the President in regards to legal questions pertaining to foreign relations.

The foreign relations law outlined by the Constitution remains too basic given China’s increasingly complex engagement with foreign and international law issues; as a result, Chinese legislators have proposed a number of laws to fill the gaps. For example, the NPC has proposed a draft Foreign Relations Law, although the draft more often than not simply refers to the Constitution and thus has a ways to go in terms of providing greater detail on the allocation of delegated powers.\(^8\) Whereas the draft Foreign Relations Law does not enact significant changes (as of yet), the same is not true for the draft Foreign Sovereign Immunities Law.\(^9\) Whereas China has traditionally been an “absolute immunity” jurisdiction meaning that courts in the instant jurisdiction cannot entertain suits against a foreign sovereign without its consent, under the new draft law, it would adopt a “restrictive immunity” position meaning that there is a presumption that foreign sovereigns are not immune from the instant state’s jurisdiction when they engage in commercial acts.\(^10\) This means that foreign sovereigns, including the U.S., could be sued in PRC courts for their commercial activities.\(^11\) The draft Foreign Sovereign Immunities Law hence exemplifies some of the more assertive postures that people’s courts are willing to take vis-à-vis U.S. parties in particular.

In addition to its focus on private international law and foreign relations law issues, the FROL is also concerned with building domestic capacity in regards to both

\(^7\) See generally Congyan Cai, Chinese Foreign Relations Law, 111 AJIL UNBOUND 336(2017).
\(^8\) Duiwai guanxifa (cao’an) zhenqiu yijia n (对外关系法(草案)征求意 看) [Draft Foreign Relations Law for Comments], issued by the Standing Committee of the NPC on Dec. 30, 2022, https://www.lawxp.com/statute/s2219464.html.
\(^10\) Ibid, art. 7.
training the next generation of transactional lawyers and also creating dispute resolution mechanisms’ handling of cross-border issues. Education may be where the FROL has had most impact as a number of law schools have established programs for “foreign-related ‘rule of law’ talent training” (shewai fazhi peiyang rencai) to instruct law students in dealing with foreign law issues in multi-jurisdictional transactions. Some of these are only two-year pilot programs and have met with varied success depending on the experience of faculty in teaching foreign law and student interest. Still, others are robust such as the School of Foreign Affairs and Law (shewai fazhi xueyuan) established by the East China University of Political Science and Law in Shanghai in 2022 at the same administrative level of the Law School itself and which will start accepting undergraduate and graduate students in 2023. On the dispute resolution side, the Supreme People’s Court and the various arbitration commissions have all engaged in varying degree of “internationalization” (guojihua), including updating their procedural rules and establishing bespoke mechanisms. To some degree, efforts at domestic capacity building have been mirrored on the side of development assistance overseas as Chinese law reformers are now engaging in co-designing legal institutions and dispute resolution bodies beyond the territory of the PRC, an aspect of the FROL that I turn to below.

In short, the FROL is a political initiative designed to build out the Chinese legal system to confront what the PRC perceives to be excessive and indeed unlawful U.S. extraterritoriality. It is worth noting that not everyone in the legal field in China sees the FROL as a good thing. Whether academics or commercial legal service providers, some individuals are concerned that the heavy hand of the state into legal development particularly at this point in time in the U.S.-China relationship will only harden borders. They are concerned of the increasing politicization of market-based transactions, given that the FROL is particularly focused on private international law rather than public international law issues.

FROL and “Chinese-Style Modernization”

Whereas the FROL is mainly a set of broad initiatives to confront perceived U.S. aggression, it has another—softer—dimension, the Global South-facing one. Like the Soviet Union, China has not historically privileged law in terms of its development assistance to poor countries. The de-prioritization of law reflected China’s own economic development programme wherein policy and not law was the key tool for balancing state and private ownership of modes of production. Prior to and especially in the early years of the BRI, this started to change and China began introducing more of a legal element into its foreign development aid, including advising on law reform and capacity-building programs for lawyers. Whereas Chinese aid has always had a pragmatic element, and indeed, has usually served

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commercial interests in terms of mitigating risks in the course of investment and cross-border business, the role of law in China’s foreign policy has become more central in recent years. There are several reasons for this, and one major cause is a much more muscular promotion of its developmental style, including its legal elements, overseas.

In a speech in 2023, Xi Jinping lauded “Chinese-style modernization” as an antidote to the excesses of Western capitalism, including its development strategies. He stated that “Chinese-style modernization” is a new modernization model different from the West. The picture is a brand-new form of human civilization. Chinese-style modernization breaks the myth of “modernization = Westernization,” shows another picture of modernization, expands the choices for developing countries to modernize, and provides a Chinese solution for human beings to explore a better social system. The unique world outlook, values, history, civilization, democracy, and ecology contained in Chinese-style modernization and its great practice are major innovations in the theory and practice of world modernization. Chinese-style modernization sets a good example for developing countries to move towards modernization independently and provided them with a new choice.

There is no ambivalence in Xi’s rhetoric. Previous waffling about whether China is promoting its own “model” is replaced by terms like “strategic self-confidence” (zhanliu zixin) and “confidence of struggle” (douzheng de diqi). The language is a direct result of the U.S.-China confrontation and Xi’s needing to present a strong image to his constituency. However, how this power-projection plays into legal development is complicated.

Against this backdrop of “self-confidence” which China projects at its rival, the U.S., China’s promotion of its “rule of law” is still relatively modest and cautious. One reason for this is China’s commitment to “non-interference” in the sovereign matters of other states, a commitment that may be seeing some erosion around the edges given China’s deepening involvement in the political and economic affairs of host countries. Another reason is that, for the most part, Chinese authorities lack confidence in Chinese law. This traditional stance also is changing under the confluence of “Chinese-style modernization” and the FROL.

One facet of the FROL is “telling the story of Chinese rule of law” (jianghao Zhongguo fazhi gushi). Spreading knowledge of Chinese law has a decades' long

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16 Ibid.
history in the PRC and is known colloquially as “pufa” (“popularizing the law”). Pufa campaigns have been means of educating the lay population through targeting specific areas of law or spotlighting new legislation. Common means for pufa include conferences, workshops, media announcements, billboards and posters in neighbourhood communities and schools, TV, and social media broadcasts. Some of these mechanisms are spilling over to shape foreign audiences’ views of Chinese law. For example, the China Law Society for years has hosted international conferences to which they invite foreign lawyers. Likewise, the National Judges College has conducted trainings with foreign judges on a number of aspects of Chinese law, including civil procedure, criminal procedure, constitutional law, commercial law, and technology and the law. The COVID-19 pandemic abruptly ended most of these programs although some of them continued online.

While some critics dismiss these events as merely ceremonial, these conferences serve multiple purposes, including addressing practical concerns of commercial and legal risk in the course of Chinese outbound investment and also educating foreign lawyers in developments in Chinese law. The criticism that these gatherings are more form than substance has some merit. Often, the substance of the information instructed through these platforms is surface-level. Nonetheless, Chinese legal professionals involved in organizing such events suggest that they are helpful in creating networks with foreign lawyers. These are instrumental in dealing with local law issues, finding referrals for local counsel, and understanding local dynamics in jurisdictions that differ sometimes considerably from that of the PRC.

Networks can and do communicate knowledge about Chinese law. For instance, in the area of cybersecurity law, Chinese authorities have been active in conducting trainings with foreign experts. In 2019, the PRC hosted officials from some 36 countries along the BRI for seminars on cyberspace, big data, and media management. Later that year, the country of Uzbekistan launched its Data Protection Law and a number of associated implementing regulations. While Uzbekistan is eclectic in borrowing from different home states, the Uzbekistan Ministry of Justice emphasized the role of Chinese training on cyber issues in particular. In other jurisdictions like Vietnam, Chinese experts have directly provided technical advice on legal development assistance within the host state. Through either host state experts’ exposure to training in China or Chinese experts traveling to the host states, networks have played a role in reforming constitutional law in Cambodia and international commercial arbitration in South Africa, Kenya, and the OHADA framework in Africa. China has emerged as a normative resource alternative to those in the U.S. or UK that advocate for democracy, multi-party systems, and liberal

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19 Matthew S. Erie, The Travels and Travails of Chinese Law in Inter-Asia, in Inter-Asian Law (Matthew S. Erie and Ching-Fu Lin, eds., forthcoming).
rule of law. Chinese law does not always serve successfully as a source for legal development outside of the PRC, but these examples suggest that host states may look to China as one origin of legal innovation amongst others.

Indeed, success of Chinese law taking root in foreign jurisdictions usually depends on the particular context of that host state. Factors include the bilateral relationship with China, the relative condition of socio-economic and political stability in the host state, and the host state’s exposure to global supply chains and international trade, to name a few. Hence while Chinese promoters of FROL may, through the trainings they offer and certainly the direct technical assistance they provide, intend for host states to incorporate Chinese law into their domestic frameworks, it is often through the demand of those partner states that Chinese law may gain traction. A third possibility beyond Chinese supply and host state demand is that by the sheer size of its economic footprint in recipient states, China may inadvertedly shape the legal and regulatory regimes of a vulnerable host state. One example of this is preferential treatment granted to Chinese companies in countries like Pakistan and Bolivia which are exempted from certain procedural requirements in the public procurement process. In the aggregate, such exemptions may degrade the transparency of those administrative law systems, disadvantage local and other foreign competitors, and undercut market principles.

Policy Responses

Both the U.S. and developing countries need to develop policy responses to China’s FROL and the push that “Chinese-style modernization” gives to it in those developing states. As a caveat, it is worth noting that China’s FROL is still in its early days and yet given China’s recent diplomatic moves in the Middle East, Latin America, and elsewhere, post-COVID China seems poised to capitalize on its ties to such regions. Even if it is the beginning of the FROL, it is likely that it will build on pre-existing economic and diplomatic channels.

For the U.S., first, pursuant to the Build Back Better World and Blue Dot Network initiatives, it appears that the U.S. is mimicking China’s approach to infrastructure-led development. This response has pluses and minuses. On the plus side, it shows that the U.S. is observing and listening to host states in terms of their needs—that is, infrastructure. China has been particularly astute in addressing the needs of low-income states, in particular, and the U.S. has taken notice. The U.S. is doing so by marrying infrastructure, on the one hand, with good governance, strong compliance, and transparency, on the other—all elements which Chinese infrastructure have, in some instances, lacked. On the negative side, however, this trend shows China setting the agenda for global development. The U.S. is not alone in following China; the European Union, Japan, and India have all created BRI alternatives. The problem is that, at discussed at the outset of this essay, China has already diversified its developmentalism beyond hard or traditional infrastructure to include soft infrastructures (data, health, and also law). One concern is that in trying to keep up with China, the U.S. may forego some of its conventional strengths in development assistance, such as rule of law. It is a positive sign that the USAID may
be ratcheting up rather than dialling back its rule of law assistance, but the overall trend is a cause for concern.

Second, it is clear proponents of Chinese developmentalism are willing to operate in many states the U.S. avoids, a trend that disadvantages U.S. interests. The U.S. needs to engage more coherently with such states. Second, instead of leading with the security state, the humanitarian and educational sectors should be meaningfully foregrounded. Third, the U.S. should not blunt its rule of law and democratization edge; in fact, the message needs to be communicated both more decisively and more broadly. Fourth, the U.S. needs to improve its record of access to justice and quality of rule of law at home to avoid charges of hypocrisy which have been lodged by Chinese propagandizers among other non-friendly states. As part of this, state and federal legislatures must reject out-of-hand laws which discriminate against Chinese in the U.S., for example, in terms of their right to purchase real estate. Such discriminatory laws significantly erode the rule of law in the U.S. The U.S. can only engage in rule of law promotion abroad when it has sufficiently addressed such egregious instances of racism on its own soil.

Sixth, the U.S. needs to stimulate innovation both within would-be partner states and also domestically. As to the former, a greater focus on building communities on the ground that can help communicate local needs is critical. Problem-based approaches should supersede mere technical programming. One dimension of the problem-based approach is being more actively part of local knowledge production about China’s footprint in-country. As to the latter (domestic innovation), members of the legal industry in the U.S. have not yet sufficiently tapped the deep symbolic capital of U.S. legal institutions to build connections with partner states, for example, through dispute resolution networks. In short, the U.S. can learn from what China is doing without following its agenda.

For host states, the main problem is that often the parties China is dealing with are autocratic elites who are more concerned about consolidating and extending their rule than they are about cultivating rule of law. Likewise, commercial lawyers in host states may be keen to work with Chinese partners to access Chinese clients for business in their country. For these rulers and their lawyers, China may present a resource for technology and other infrastructures as well as the industrial policy and regulatory regimes required to optimize those infrastructures. In turn, those technologies can enhance nondemocratic rule. This is the story, at least for countries like Vietnam and Cambodia. At the same time, those countries along with others like Uzbekistan, South Africa, and others try to “hedge” between the U.S. and China, drawing on the resources, expertise, and investments of both. Meanwhile, civil society in these states may suffer under regimes supported by the PRC. One concrete suggestion for members of civil society is to form their own networks with like-minded organizations in other developing states. Often, civil society in these countries face the same problems in terms of an increasing Chinese presence in their jurisdiction and yet they are often siloed with any way to learn from each other,

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develop co-strategies, and pool resources. Just as some of the issues generated by Chinese developmentalism are transnational, so, too, may be some of their solutions.