

What does China's block of Manus deal mean for outbound regime?

MAY 3, 2026

As we reported last week, China has blocked Meta's \$2 billion bid for Manus AI, a Singapore-based company that was founded in China in 2022. According to experts, the move raises a number of questions about the Outbound Investment Security Program, and a COINS Act-inspired rule that is expected to drop in 2027. Among them: If China is protecting their own IP, is an outbound regime even necessary?

WHAT HAPPENED

As most Foreign Investment Watch readers know, two weeks ago China's National Development and Reform Commission [announced](#) it would block the \$2 billion acquisition of Manus AI by Meta.

According to media reports, the decision to block the [deal](#) had been elevated from the economic regulatory body, the NDRC, to China's National Security Commission, a body of the Chinese Communist Party chaired by Xi Jinping.



Manus AI cofounder Yichao Ji was reportedly summoned back to China from Singapore in March, and has been the subject of an exit ban ever since.

According to experts who spoke to Foreign Investment Watch, the founders of Manus – Xiao Hong and Yichao Ji – were summoned to China back in March, and have been subject to [exit bans](#); they can not leave the country.

The transaction needs to be unwound in just a few weeks.

That's a fairly aggressive deadline, especially when compared to prior U.S. divestment orders. For example, last year President Trump issued an Executive Order that required Hong Kong-based [Suirui](#) to divest from Jupiter Systems; Suirui was given 120 days.

That's in line with other divestment orders: China's [CATIC](#) divestment of MAMCO back in 1990 was given three months; China's [Sany Group](#) divestment of four wind farms in 2012 was given 90 days; and China's [MineOne](#) divestment of real estate in Wyoming in 2024 was given 120 days.

The aggressive timeline in the Manus-Meta divestment is complicated by the fact that, according to media reports, Manus investors, including Tencent Holdings, ZhenFund and HongShan Capital (formerly Sequoia China), were already distributed their proceeds.

OUTBOUND IMPACT

According to experts who spoke with Foreign Investment Watch, the move highlights a number of complex geopolitical dynamics, but also raises important questions regarding national security reviews and the U.S. outbound investment rule:

- **Expansion of Outbound?** – Currently, the OISP covers three sectors: semiconductors, quantum, and AI. The upcoming outbound regime, codified under the COINS Act, will add two more: hypersonics and high-performance computing. According to experts, the Chinese regime – which isn't public – applies to any “sensitive sector,” which technically could include anything from batteries to biotechnology. So, could the U.S. outbound regime be expanded to match the Chinese regime? “Lawmakers may choose to use the Manus block as proof that the outbound toolkit should be less narrow and more broad,” said one expert. Wilson Sonsini partner Stephen Heifetz agrees that any aggressive regulatory action by China could create political incentive

for U.S. further legislative innovations. “Watch this space for sure,” he says. Olga Torres of Torres Trade Law acknowledges that the Manus-Meta situation could indeed revive calls to broaden the outbound regime beyond its currently defined sectors, but adds that “a sweeping China-style approach would likely face significant political and industry resistance.”

- **China’s Own “CFIUS”** – The incident highlights the fact that, just like CFIUS, China is willing to use its own national security review powers to safeguard its own interests. The key difference here may be enforcement. CFIUS, for example, has issued [two penalties](#), both \$200,000, for failure to effect divestment of a foreign acquirer’s interest in a U.S. business by the deadline specified in a National Security Agreement. But China, it appears, has actually resorted to export bans to ensure enforcement. “The U.S. can enforce its extraterritorial decisions through the dollar-denominated world banking and financial system,” said one expert. “China must resort to kidnapping.”
- **Extraterritorial Regime?** – Technically, Manus isn’t a Chinese company: it’s a Singaporean company. So the fact that China has blocked the transaction means that any company of Chinese origin could fall under its foreign review jurisdiction. H.K. Park, who leads the outbound practice at Crumpton Global, says the PRC policy is “intentionally ambiguous but could theoretically be applied to any company operating abroad with ‘Chinese DNA.’” Torres agrees, and says the Manus case “suggests China may assert jurisdiction based on origin, ownership, or strategic relevance – not just incorporation – potentially capturing offshore entities like Singapore-based firms.” As such, Park says he’s already seeing companies requesting deeper diligence “into every Chinese link of an investment or acquisition target based in the U.S., Europe and the Middle East to assess risk and determine valuation.”
- **National Security or Industrial Policy** – On a related note, some experts worry that the outbound regime is becoming a proxy for industrial policy. “You have to really squint to say the Manus deal was a national security divestment,” said one member of the CFIUS bar. “This was really industrial security, and if China can make that argument, then of course the U.S. can as well, in similar cases.” Torres agrees that, theoretically, there is an increased chance of “tit-for-tat investment screening retaliation,” but notes that policymakers will argue that, especially in sectors like AI, “national security and industrial competitiveness are inherently intertwined.”

- **Compliance Uncertainty** – Finally, experts say that, as more countries utilize broad interventions, it will become harder for U.S. entities to judge whether a transaction that looks lawful today might later be treated as strategically sensitive. As such, the Manus block could deter foreign firms from buying or investing in Chinese AI assets; it also may disincentivize Chinese startups from using offshore structures if China can still override a transaction. Park at Crumpton Global says companies are still pursuing deals in China, but with more caution. “Lately,” he says, companies “have been requesting our assessment of how Beijing might react to a proposed transaction in addition to the U.S. regulatory and reputational risks.” Torres agrees, noting that the Meta-Manus deal highlights growing unpredictability. “Companies should expand diligence beyond legal compliance to include geopolitical risk, build flexibility into deal structures, and assume that ‘sensitive sectors’ and ‘national security’ will be interpreted broadly,” she says.

We’ll continue to track this issue for readers.

MORE INFORMATION

Our [extensive and ongoing coverage](#) of the Outbound Investment Security Program is available.

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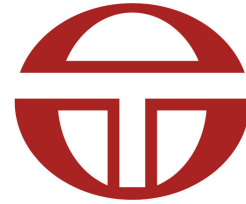
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