

The China–Taiwan Weekly Update



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The China–Taiwan Weekly Update is a joint product from the Institute for the Study of War and the American Enterprise Institute. The update supports the ISW–AEI Coalition Defense of Taiwan project, which assesses Chinese campaigns against Taiwan, examines alternative strategies for the United States and its allies to deter the Chinese Communist Party’s (CCP) aggression, and—if necessary—defeat the People’s Liberation Army (PLA). The update focuses on the Chinese Communist Party’s paths to controlling Taiwan and cross–Taiwan Strait developments.

Key Takeaways

- **Taiwan:** Taiwanese President William Lai Ching-te announced new nominees to the Constitutional Court to fill positions necessary to reach quorum for constitutional review. The court is the last institutional recourse to block opposition-supported budget cuts that would significantly undermine the Taiwanese ability to resist PRC coercion and attack.
- **Taiwan.** The PRC is continuing to develop its ability to cut undersea cables, which it could use to coerce and isolate Taiwan. A likely PRC-operated vessel entered Taiwanese waters likely in order to refuel other PRC vessels, including those involved in cable-cutting around Taiwan. The PRC is also developing additional technologies for cable-cutting, including some that are compatible with submarines.
- **Taiwan:** The Taiwanese coast guard expelled PRC fishing vessels illegally operating around Taiwan’s Pratas Island. The PRC likely used the vessels to assert its jurisdiction there. Pratas Island has strategic value, as it lies in the northern South China Sea and hosts an airfield and a Taiwanese coast guard base.
- **Japan:** The PRC deployed coast guard ships around the disputed Senkaku Islands for the longest continuous period to date. The operation coincided with PRC Foreign Affairs Minister Wang Yi visiting Tokyo for a trilateral Japan-South Korea-PRC summit, highlighting how the PRC combines diplomacy with coercion in its foreign policy.

Cross-Strait Relations

Taiwan

Taiwanese President William Lai Ching-te announced new nominees to the Constitutional Court to fill positions necessary to reach quorum for constitutional review. The court is the last institutional recourse to block opposition-supported budget cuts that would significantly undermine the Taiwanese ability to resist PRC coercion and attack. Lai on March 21 announced seven nominees for the vacancies on the Constitutional Court.[1] Lai's nominees are Tsai Chiu-ming as president of the court, Su Su-o as vice president, and the following as other justices: Hsiao Wen-sheng, Cheng Chun-hui, Lin Li-ying, Chen Tzu-yang, and Chan Chen-jung.[2] Seven of 15 court seats have been vacant since November 2024, and the opposition-controlled Legislative Yuan (LY) rejected Lai's previous nominees in December 2024, almost entirely along party lines.[3] The LY passed an amendment to the Constitutional Court Procedure Act (CCPA) raising the quorum to 10 of 15 justices that same month, effectively paralyzing the court, as there are only eight justices currently.[4] Chairman of the minority Taiwan People's Party (TPP) Huang Kuo-chang already expressed concern that Lai's nominee to lead the JY, Tsai Chiu-ming, would show bias toward the ruling Democratic Progressive Party (DPP), indicating that he will oppose Tsai's nomination. United Daily News — a newspaper aligned with the main opposition party Kuomintang (KMT) — published an op-ed on Tsai's "obvious unsuitability" on March 24, similarly indicating opposition to the nomination.[5]

The KMT-TPP coalition in the LY is incentivized to keep blocking judicial nominees, so that the court cannot block the coalition's bills, such as the Constitutional Court reforms themselves and record large cuts to the central government budget. The Control Yuan (CY) — the branch of government responsible for government oversight — filed a petition on March 24 for the Constitutional Court to review the new budget on the grounds that it violates the separation of powers.[6] The petition states that the 96-percent cut to the CY will "severely endanger" its ability to perform its duties.[7] The budget cuts and freezes also constrain operations in government departments and agencies that are critical to Taiwanese national security, such as the National Defense Ministry, Foreign Affairs Ministry, Coast Guard Administration, and Mainland Affairs Council. These cuts conflict with Lai's pledge to increase the defense budget from 2.45 percent to over three percent of GDP in the wake of US pressure for Taiwan to increase defense spending.[8] The government stated that it plans to use surplus funds to reach the defense spending target.[9] Auditor-General Chen Jui-min acknowledged the potential for borrowing funds to offset the budget cuts as well.[10]

The Taiwanese coast guard seized an unmarked fuel freighter with a likely PRC crew in the Taiwanese contiguous zone. The PRC likely uses such vessels to refuel other ships that operate illegally in Taiwanese-administered waters, such as ships that are involved in sabotaging undersea cables. The Taiwanese Coast Guard Administration (CGA) on March 24 detained a likely PRC fuel freighter 20 nautical miles off the coast of Hsinchu within Taiwan's northwestern contiguous zone. The freighter had no name, certificate, or port of registry (criteria which Taiwan calls the "Three Nos"), and unsuccessfully attempted to flee rather than comply with CGA inspection. The CGA stated that the six crewmembers of the ship that it detained appeared to be Chinese but did not carry identification documents. The boat had about 500,000 liters of fuel aboard and was in the area to refuel other illegally operating PRC ships, according to the CGA. The CGA added that it

plans to “strengthen” routine patrols with a special focus on countering fuel supply ships in order to disrupt logistics for PRC gray zone operations around Taiwan.^[11]

The detained boat very likely supported a broader PRC coercive campaign within Taiwan-administered waters. The CGA stated that “Three Nos” boats from the PRC frequently cross into Taiwan’s northern waters, including a similar unmarked oil-carrying boat that Taiwan detained in 2020.^[12] PRC coercion of Taiwan, in this context, involves ostensibly non-official vessels that are meant for a variety of purposes, including fishing boats or foreign-flagged cargo ships that have severed Taiwanese undersea Internet cables, fishing boats that crowd Taiwan’s territorial waters, research vessels that engage in undersea detection and surveillance, and other vessels that Taiwan has detected loitering off its shores for unknown purposes.^[13] The PRC also harasses and intimidates Taiwan through official activities, such as China Coast Guard (CCG) patrols and PLA naval exercises.

The CGA announced that it expelled PRC fishing vessels that were operating illegally in the prohibited waters around Taiwan’s Pratas Island. The PRC vessels have been around Pratas Island since February 2025, likely to assert PRC jurisdiction there. The CGA reported an unusually large fleet of PRC fishing vessels, including six “motherships” and 29 smaller boats, illegally fishing in Taiwanese prohibited waters around Pratas (Dongsha) Island beginning on February 15. CCG ships arrived and tried to block the CGA from expelling the fishing boats on February 21. The CGA continued to board, detain, or expel PRC fishing boats on February 26 and March 11 despite CCG interference. Two CCG ships remained within the restricted waters around Pratas Island after the CGA noted the departure of all illegal fishing boats. The CCG ships circled the island and patrolled in its restricted waters repeatedly until March 25.^[14]

Pratas Island is part of a Taiwanese-administered atoll in the northern South China Sea. It has an airfield and a CGA outpost but no permanent population and maintains “prohibited” and “restricted” waters that are equivalent to territorial waters and a contiguous zone, respectively. Fishing in the area is illegal because Taiwan has designated the atoll a marine national park. The CGA stated that it has expelled 77 PRC fishing boats from Pratas waters since January 2025.^[15]

The CCG may be supporting illegal PRC fishing in Taiwanese waters and patrolling around Pratas Island to erode Taiwanese control of the island and assert PRC law enforcement jurisdiction there. The CCG activities showed a blatant disregard for Taiwanese laws and jurisdiction around Pratas Island, though the CCG ships, unlike the fishing boats, did not breach Taiwanese prohibited (territorial) waters. The PRC state social media account Yuyuan Tiantian, which is affiliated with state broadcaster CCTV, quoted an anonymous “insider” in May 2024 who suggested that the “Kinmen model” of normalizing law enforcement patrols ostensibly to protect PRC fishermen could be used to expand PRC maritime control around other Taiwanese outlying islands or even across the entire Taiwan Strait.^[16] Some PRC fishing boats that operate illegally in Taiwanese waters may be Chinese Maritime Militia (CMM) vessels

or other ostensibly commercial boats that the PRC co-opts to support its strategic goals.^[17] The PRC may plan to capture Taiwanese outlying islands such as Pratas, Kinmen, and Matsu in the early stages of a war to annex Taiwan, reducing Taiwan's strategic depth. It may also seek to split the islands from Taiwan, possibly through blockade or short-of-war means, as an intermediate step to achieving "national reunification."^[18] Capturing Pratas Island may be useful for enhancing the PRC's anti-access/area denial (A2/AD) capabilities, for example by placing missiles or aircraft there, due to the island's location in the middle of major sea transit routes that pass through the South China Sea, Taiwan Strait, and Bashi Channel.

CCG Ships Patrol in Restricted Waters around Pratas Island, February-March 2025



South China Sea

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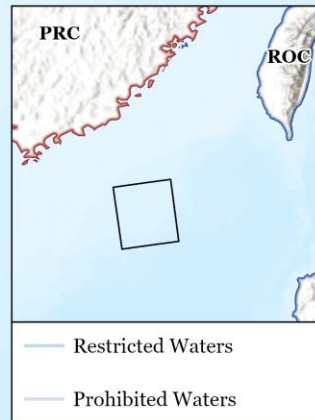
FEB 15: A fleet of PRC fishing boats begins illegally fishing in Taiwanese prohibited waters.

FEB 15-MAR 11: CCG ships try to block Taiwan's detention or expulsion of illegal fishing boats.

Pratas Island

MAR 12-PRESENT: CCG ships patrol around Pratas within Taiwanese restricted waters.

South China Sea



0 20 40 80 Kilometers

Map by George Barros, Daniel Mealie,
Derik Durbin, Harrison Hurwitz, and Benjamin Cordola
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Four CCG ships patrolled in restricted waters around Kinmen Island on March 20, 21, and 25. The ships entered the restricted waters around Kinmen Island at four locations and patrolled for about two hours each time. The CCG has now conducted such incursions 64 times since it began the patrols in February 2024, according to the CGA.^[19] Kinmen is a Taiwanese-administered archipelago two miles from the PRC city of Xiamen. Taiwan does not claim territorial or contiguous waters around Kinmen Island due to its proximity to the PRC, but it maintains “prohibited” and “restricted” waters

that are functionally equivalent. The CCG has normalized three to four “law enforcement” patrols within Kinmen Island’s restricted waters each month to assert PRC jurisdiction there and erode Taiwan’s control over the waters. The CCG is a paramilitary force under the Central Military Commission that operates in disputed waters to serve PRC strategic goals rather than merely conducting law enforcement activities. Normalized but irregularly scheduled CCG incursions into Kinmen Island’s restricted waters allow the PRC to degrade Taiwan’s threat awareness, drain its resources, and gauge its response without alarming Kinmen Island’s population, which has close ties to the PRC. They also allow the PRC to rehearse cutting Kinmen Island off from resupply or intervention by sea, which would require PRC ships to position themselves to the south of the islands.

China Coast Guard Violations of Kinmen Restricted Waters, March 20-21 and 25



The PRC is continuing to develop capabilities for cutting undersea cables, which it could use to coerce Taiwan or isolate it during an invasion. The PRC China Ship Scientific Research Centre (CSSRC) and State Key Laboratory of Deep-sea Manned Vehicles developed a device that can integrate with existing PRC submarine systems and cut cables 4000 meters deep.[20] The laboratory likely developed this technology at the behest of the PRC government, as state key laboratories (SKLs) are supported by the PRC central government and comprise the base of PRC military research and development.[21] The device uses a titanium alloy covering to withstand depth-induced pressure and contains a diamond-edged grinding wheel that spins at 1600 revolutions per minute to cut cables.[22] The device is compatible with both crewed and uncrewed PRC submersibles, including the CSSRC-developed Fendouzhe system.[23] The device reportedly first appeared in peer-reviewed PRC journal *Mechanical Engineering* but did not appear on the journal’s website at the time of this writing.[24] CSSRC and the State Key Laboratory of Deep-sea Manned Vehicles —the device’s developers — are affiliated with the state-owned China State Shipbuilding Corporation (CSSC). CSSRC (also known as the CSSC 702nd Research Institute) is under US sanctions.[25]

Newsweek in January 2025 found a PRC patent for a different undersea cable-cutting device from 2020, which improved on a design from 2009. That device closely resembled an anchor that a surface vessel would drop and drag over an underwater cable, similar to how most observed cable sabotage has worked to date.[26] The PRC claims to have developed such devices to assist in seabed clearing, but cable-cutting devices could be used to disrupt Taiwan’s communications with other countries or with its own outlying islands during a war or blockade. ISW also identified cable cutting as one method the PRC might use to isolate Taiwan’s outlying islands in a short-of-war coercion campaign.[27] PRC boats severed submarine cables between Taiwan and its outlying Matsu Islands in 2023, causing an archipelago-wide internet outage that lasted 50 days.[28]

The PRC’s development of cable-cutting technologies undermines its claims that the recent severing of Taiwanese undersea internet cables by PRC-crewed ships was accidental. Submarines equipped with a cable-cutting device could enable more covert cable-cutting operations, as submarines are harder to detect than surface vessels. Such a device could allow the PRC to more plausibly attribute cable-cutting incidents to natural causes and further insulate itself from culpability.

The Taiwanese Foreign Affairs Ministry noted the release of the cable-cutter design and stated that “the world must act” to defend undersea cable infrastructure.[29] Taiwan has increasingly tried to protect its undersea cable infrastructure in recent months after the CGA detained a Chinese-crewed, Togo-flagged vessel suspected of cutting an undersea cable in February 2025.[30]

China

The PRC tested newly developed Shuiqiao-class pier barges alongside roll-on-roll-off (RORO) ships, signaling the improving PRC amphibious invasion capabilities. Center for a New American Security Adjunct Senior Fellow Tom Shugart published satellite imagery on March 24 showing two RORO vessels participating in a testing exercise involving new Shuiqiao-class “invasion barges” near Zhanjiang in the PRC’s Guangdong Province.[31] PRC netizens circulated footage of the

barges in an earlier phase of the exercise the previous week. News that the PRC had developed such barges emerged in January 2025. Satellite imagery showed six barges with extendable ramps under construction at Guangzhou Shipyard in the PRC, though only three barges participated in the drills near Zhanjiang.[32]

The exercises show how the PRC might use its new extendable-pier barges in tandem with RORO ships to land troops and vehicles on Taiwan during an amphibious invasion. Civilian RORO vessels designed to offload cars would need to dock at an established port in the absence of extendable-pier barges.[33] The newly developed barges allow ROROs that dock with them to offload vehicles, which can then use the extendable bridges to get onto land without a port. Satellite imagery does not indicate whether these exercises incorporated vehicle landing drills, however.[34]

The development and testing of RORO ships supports the PRC goal of expanding its amphibious warfare capabilities. The PRC has accelerated its production of RORO vessels in recent years and began incorporating them into amphibious assault exercises in 2019.[35] The PRC is likely testing these capabilities in preparation for an amphibious invasion of Taiwan's main island.

The PRC released all five PRC-national employees of the US due-diligence firm Mintz, whom PRC authorities detained in March 2023. The move could indicate the PRC's interest in currying favor with the United States amid ongoing trade disputes and tariff adjustments. Mintz performs risk assessment and auditory investigations for its clients.[36] PRC authorities raided and closed the firm's Beijing office in March 2023.[37] The PRC Bureau of Statistics at the time stated that the raid had occurred because Mintz failed to legally obtain permission from the PRC to perform investigations involving "foreign-related statistical inquiries." [38] The PRC did not publicly charge any of the five employees for their supposed illegal activity, nor did it disclose any specific information about Mintz's access to sensitive corporate information.[39] Mintz ceased all operations in the PRC after the raid.[40]

The raid on Mintz reflects a PRC effort broadly aimed at tightening foreign firms' access to PRC domestic business data and other sensitive information.[41] The raid occurred alongside a slew of related activities against international firms in the PRC, such as the surprise questioning of US firm Bain & Co.'s Shanghai office and the subsequent raid of multiple offices owned by the international consulting firm Capvision.[42] These raids illustrate the PRC's growing willingness to use domestic spying laws to target firms suspected of engaging in espionage or anti-government activity.[43] Reuters reported that Mintz had been investigating forced labor in supply chains linked to the PRC's Xinjiang region.[44]

The PRC may have released the Mintz employees as part of an effort to improve relations with the US business community and, in turn, the Donald Trump administration.[45] The PRC released the five employees a day after US executives visited the PRC to meet with senior PRC officials and discuss potentially expanding bilateral economic ties.[46] The releases also follow the opening of the annual China Development Forum, during which PRC Vice Premier He Lifeng met with US Senator Steve Daines and several American corporate executives.[47] The forum reportedly offered a conciliatory tone toward American business, indicating a possible diplomatic olive branch from Beijing amid ongoing trade disputes with the United States.[48] The PRC has previously used its relationships with US companies and investors as a means to gauge and interact with US foreign policy.[49]

Northeast Asia

Japan

The CCG operated around the disputed Senkaku Islands from March 21 to 24, marking the longest such operation around the islands to date. The operation coincided with PRC Foreign Affairs Minister Wang Yi's visit to Tokyo, highlighting how the PRC combines diplomacy with coercion in its foreign policy. Two CCG vessels entered the territorial waters around the Senkaku islands on March 21 and were joined by two additional CCG vessels on March 22. The PRC National Defense Ministry claimed that the vessels were responding to the activities of four Japanese vessels “illegally” fishing in the waters.[50] One of the vessels, CCG 1302, came within one nautical mile of the main island of Uotsuri.[51] The Senkaku Islands are an uninhabited archipelago in the East China Sea that Japan administers but the PRC and Taiwan also claim. The CCG vessels left the area around 22:00 on March 24, marking 92 hours and 8 minutes of continuous presence.[52] This violation sets a new record for the longest continuous presence of PRC vessels in the territorial waters around the Senkaku Islands. The previous record was 80 hours and 36 minutes between March 30 and April 2, 2023.[53]

The incursion occurred while the foreign ministers of Japan, South Korea, and the PRC met in Tokyo.[54] The CCG decision to escalate around the Senkaku Islands during a Japan-PRC meeting may be in response to Japan's continued support for Taiwan. PRC Foreign Affairs Ministry spokesperson Mao Ning said that the PRC lodged protests with Japan after Taiwan's Executive Yuan hired former Japanese four-star general Shigeru Iwasaki as a consultant.[55] Iwasaki served as the chief of staff for the Japan Self-Defense Force (JSDF) from 2012 to 2014 and played a leading role in developing joint operations for the Japanese military and coordinating with the US armed forces. PRC Foreign Affairs Minister Wang Yi also made a statement during the Two Sessions on March 7 discouraging the view that “a Taiwan contingency is a Japan contingency,” as promoted by former Japanese Prime Minister Shinzo Abe and other politicians, and warned that “using Taiwan to stir up tensions will ultimately cause trouble.”[56] The PRC has repeatedly stated that Japan bears “historical responsibility for the Chinese people on the Taiwan issue” and should reflect on how to uphold the one-China principle as the basis of Sino-Japan relations. While the PRC continues to pursue better relations with both Japan and South Korea, it has only been pressuring Japan, likely in order to build a more positive image among the South Korean public, as Seoul will hold a special presidential election if the Constitutional Court confirms Yoon's impeachment.[57]

The PRC discussed improving trade and people-to-people relations during the trilateral foreign ministers' meeting with Japan and South Korea. The parties agreed to prepare for a leaders' summit this year. The meeting occurred in Tokyo on March 22. The three countries agreed to deepen trade relations, promote technological innovation, expand people-to-people exchanges, and address common challenges for sustainable development. PRC Foreign Affairs Minister Wang Yi emphasized the need for the three countries to promote free trade and maintain regional and

world peace together to “take the future of Asia into their own hands.” The meeting did not discuss security issues beyond North Korean military activities and the situation in Ukraine, according to readouts from the participating countries.[58]

Wang also met with senior Japanese government officials on the sidelines of the trilateral meeting. Wang highlighted during a meeting with Japanese Prime Minister Shigeru Ishiba that Japan should engage the PRC with trust and uphold the 1972 Japan-China Joint Communiqué — a document that affirmed the parties’ position against “hegemony” in the Indo-Pacific and stated that Japan “understands and respects” that Taiwan is part of the PRC.[59] Wang said that Japan should make “smart choices” in this context. Wang made similar comments in separate meetings with Japanese Foreign Affairs Minister Takeshi Iwaya and Chief Cabinet Secretary Yoshimasa Hayashi.[60] PRC Foreign Ministry spokesperson Guo Jiakun added that the PRC hopes Japan will “make a clean break with the moves of whitewashing the history of aggression, follow the path of peaceful development, and take concrete actions to earn the trust of its Asian neighbors and the international community.”[61] A PRC readout of the Wang-Ishiba meeting claimed that Ishiba said Japan “respects the positions elaborated by the Chinese side,” a phrase Ishiba’s government denied that he said. The Japanese Foreign Affairs Ministry requested that the PRC remove the incorrect material.[62] PRC Foreign Affairs Ministry spokesperson Guo Jiakun dismissed Japan’s protest, saying, “Isn’t it normal to respect each other’s positions in state-to-state relations?”[63] The PRC Foreign Affairs Ministry has not changed its press release to comply with Japan’s request as of the time of this writing.

Southeast Asia

Philippines

Philippine law enforcement arrested five PRC nationals for spying on naval assets in Subic Bay and for their involvement in illegal offshore gambling operations. This case is part of a larger trend of PRC intelligence, surveillance, and reconnaissance operations targeting critical infrastructure in the Philippines. Philippine authorities arrested five PRC nationals, one Cambodian national, and two Filipinos on Grande Island in Subic Bay on March 19.[64] The Philippine Department of National Defense (DND) alleged that these individuals were involved in espionage, kidnapping, and Philippine Offshore Gaming Operations (POGO) — illegal online gambling services catering to foreign markets often exploited by transnational criminal enterprises to conduct illicit financial activities.[65] The DND issued a statement on the serious threat of “such activities, which may be part of larger criminal network operations.”[66] The National Bureau of Investigation (NBI) received a report from the Philippine Armed Forces Military Intelligence Unit on foreigners conducting intelligence operations and discovered individuals posing as recreational fishers and using high-tech drones to supposedly transport fishing bait to spy on naval assets.[67] Philippine law enforcement confiscated a 9-mm firearm and 16 rounds of ammunition, along with mobile phones and laptops.[68] They also found fake documents and identification material, as well as photographs and documentation on US and Philippine naval assets.[69]

Details on the role of POGOs in the Grande Island case have yet to be released, but Philippine authorities have long been concerned about security risks associated with POGOs. Then-Philippine Defense Secretary Delfin Lorenzana expressed concern in 2019 that POGOs could be used for espionage.[70] These online casinos employ a significant number of PRC nationals to serve the massive

Chinese market.[71] PRC state media touted PRC-Philippine law enforcement cooperation in February 2025, when the PRC repatriated almost 200 PRC nationals involved in POGOs. A 2024 case alleged ties between POGOs and the PRC State Security Ministry. Philippine authorities arrested the former mayor of the Philippine town of Bamban, Alice Guo, for alleged ties to POGOs in 2024 and are investigating her for human trafficking, espionage, and involvement with Chinese criminal syndicates.[72] Former casino kingpin She Zhijiang, who is imprisoned in Thailand, claimed that she was a fellow PRC spy and that his MSS handler likely interacted with her.[73]

Both the US and Philippine militaries are interested in Subic Bay for its natural deep-water harbor and clear view of the West Philippine Sea.[74] Subic Bay used to host one of the largest US naval bases from 1901 to 1992, and the Philippine defense minister stated in 2024 the country wants to reopen parts of that base by 2028.[75] Philippine Navy spokesperson said on March 25 that the Philippine Navy is preparing to take over portions of Grande Island and Chiquita Island, located at the mouth of the Subic Bay, for “eventual occupation.”[76] The US Marine Corps leased a warehouse in February 2025 to store vehicles, communications equipment and engineering assets, according to the Subic Bay Metropolitan Authority.[77] This Grande Island case follows a long series of PRC nationals being arrested and charged by Philippine law enforcement for spying and targeting critical infrastructure and terrain.

The Philippines is currently uncovering a network of hundreds of alleged PRC spies, and this Subic Bay case might be linked to these larger operations.[78] Philippine authorities arrested a PRC national and two Filipino accomplices on January 17 for collecting topographic data and surveilling critical infrastructure in the northern island of Luzon.[79] They arrested five PRC nationals on January 24 and 25 for spying on the Philippine Coast Guard and Philippine Navy in Palawan, which borders the South China Sea.[80] Authorities then arrested two PRC nationals and three Filipinos on February 20 for attempting to steal information from sensitive government and military facilities with IMSI catchers — a telephone eavesdropping device.[81]

Iran

The United States sanctioned a PRC independent "teapot" oil refinery amid broader efforts to reduce Iranian energy exports. The US Department of State sanctioned Huaying Huizhou Daya Bay Petrochemical Terminal Storage for storing Iranian crude oil from a sanctioned vessel. The US Treasury Department sanctioned private “teapot” refinery Shandong Shouguang Luqing Petrochemical Co., Ltd. on March 20 for refining Iranian crude oil shipped in tankers linked to the Iranian Defense Armed Forces Logistics Ministry and Houthis.[82] The US Department of State further sanctioned Huaying Huizhou Daya Bay Petrochemical Terminal Storage for storing Iranian crude oil from a sanctioned vessel.[83] This new round of sanctions followed the US Treasury Department’s placement of PRC teapot refinery Shandong Haiyou Petrochemical on a list of sanctioned entities in 2022.[84] The Treasury also sanctioned twelve entities and one individual and identified eight vessels as blocked property due to their role in Iran’s “shadow fleet” transporting oil from Iran to the PRC.[85] Teapot refineries operate by importing crude oil directly via government-granted crude oil import quotas and licenses — a policy that the PRC initiated in 2015.[86] PRC Foreign Affairs Ministry

spokesperson Mao Ning said on March 21 that the PRC opposes US “abuse of illegal unilateral sanctions” and called on the United States not to interfere in trade between Iran and the PRC.[87]

This new round of sanctions highlights the deep cooperation between the PRC and Iran as the Trump administration pursues a “maximum pressure” policy against the latter. The PRC is the largest importer of Iranian oil in violation of US sanctions, importing around 90 percent of Iran’s oil.[88] PRC teapot refineries are the largest purchaser of Iranian oil; the US Department of the Treasury reported that Luqing Petrochemical purchased an estimated 500 million US dollars worth of Iranian oil.[89] The PRC will likely seek workarounds to ongoing US sanctions as it attempts to continue importing Iranian oil, for example, through ship-to-ship transfers. China continues to import Iranian oil because of its cheap cost, despite the state-owned Shandong Port Group banning sanctioned tankers from its ports in Shandong Province.[90]

Yemen

Yemeni authorities seized PRC-made drone propellers bound for the Iranian-backed Houthis, according to the 2025 Annual US Intelligence Community Threat Assessment report.[91] Local media reported on March 24 that Yemeni border customs seized 800 PRC-made drone propellers in a shipment bound for the Houthis at the Sarfait border crossing with Oman in southeastern Yemen.[92] The propellers were made by the PRC private company Gemfan. The Houthis have previously procured dual-use items for drone and missile components on the international market.[93] The Houthis smuggle these shipments through the Red Sea and the Gulf of Aden and through land borders, particularly from the Omani-Yemeni border via the Yemeni government-controlled Mahra and Hadramawt governorates in eastern Yemen.[94] The United States sanctioned PRC-based electronics companies for selling dual-use components to the Houthis in October 2024.[95] The Houthis also imported hydrogen fuel cylinders from unspecified PRC suppliers in August 2024, which were aimed to increase the range and payloads of the Houthis’ drones.[96]

The PRC may be helping to advance Houthi capabilities as part of an arrangement that protects PRC ships in the Red Sea. PRC officials have engaged in diplomacy with the Houthis to ensure the safety of PRC-affiliated commercial vessels transiting the Red Sea.[97] They reportedly advised the Houthis to avoid targeting PRC-affiliated shipping while continuing attacks on Western-linked vessels.[98] The PRC has called for an end to Houthi attacks but has generally refrained from directly criticizing the Houthis. The PRC denied exporting drones or military technologies to the Houthis.[99]

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