

# The China–Taiwan Weekly Update



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## Key Takeaways

- **The KMT-led Taiwanese legislature passed significant cuts and freezes to the 2025 national budget. The budget reductions will almost certainly impede the DPP-led administration's ability to function and will undermine Taiwan's resilience against PRC pressure.**
- **Taiwan’s two undersea internet cables between Taiwan itself and its offshore Matsu Islands were disconnected within one week due to natural deterioration. Taiwan restored the internet to Matsu with an emergency microwave transmission system, showing significant progress in strengthening emergency communications infrastructure since 2023.**
- **The PRC announced that it will soon resume group travel to Taiwan for residents of Shanghai and Fujian Province. PRC officials and media continued to blame Taiwan’s Democratic Progressive Party (DPP) for creating obstacles to cross-strait exchanges, however.**
- **The Philippines and PRC agreed to strengthen dialogue and bilateral cooperation efforts during the first high-level bilateral exchange to discuss South China Sea disputes to occur since July 2024. These talks occurred amid a spike in tensions between the two countries due to coercive PRC behavior in the Scarborough Shoal and the Philippines’ exclusive economic zone (EEZ).**

## Cross-Strait Relations

### *Taiwan*

**The KMT-led Taiwanese legislature passed significant cuts and freezes to the 2025 national budget. The budget reductions will almost certainly impede the Democratic Progressive Party (DPP)-led administration's ability to function and undermine Taiwan's resilience against PRC pressure.** Opposition Kuomintang (KMT) and Taiwan People's Party (TPP) legislators, who hold a collective majority in the Legislative Yuan (LY), finalized amendments on January 21 that cut a total of 6.6% from the Executive Yuan's proposed expenditure, making the largest budget cut in Taiwan's history.[1] The Executive Yuan originally approved the budget in August 2024, which projected a slight surplus.[2]

ROC Premier Cho Jung-tai, who leads the DPP-controlled Executive Yuan, accused the opposition parties during a press conference on January 21 of "indiscriminately cutting budget items" for the purpose of disrupting the government's operations.[3] Cho stated that the budget cuts would affect Taiwan in five key ways: harming national competitiveness, weakening national defense capabilities, undermining technological advancement, constraining public services, and diminishing the government's ability to communicate to the public.[4] The KMT has framed the budget cuts as a necessary measure to exercise oversight of the DPP administration and rein in its excessive and wasteful spending.[5]

The Ministry of National Defense (MND) experienced a freeze of 30% of its operating budget and a 3% cut to its military equipment expenditure, which will affect the military's basic functions, including weapons and materiel maintenance.[6] Deputy Minister of Military and Political Affairs Alex Po Horng-Huei stated during an MND press conference on January 20 that the PRC benefits from MND-related budget reductions, which negatively affect Taiwan's combat readiness. Taiwan's domestic submarine program experienced a 50% freeze, effectively halting construction of submarines until completed submarines pass sea trials, at which time the LY may decide to unfreeze the funds. The budget amendments also froze 50% of the budget for the Minxiong Aerospace and Drone Park, an industrial manufacturing and testing facility that is at the center of Taiwan's drone development. Taiwan's state-owned National Chung-Shan Institute of Science and Technology (NCSIST) manages the park and is responsible for R&D and production of new defense technology and weapons. Constraints on Taiwan's drone production capability constitute a significant setback for its ability to defend itself from a PRC invasion, which would heavily rely on the use of drones to thwart the advancement of enemy forces.

Po stated that the more than 15% reduction in personnel travel expenses constrains the military's ability to transport new equipment from abroad for installation and train service members to use it.[7] He noted that the 60% reduction in media and publicity expenses will hurt the military's ability to recruit new personnel and combat PRC disinformation and political warfare tactics.[8] Po stated that the cuts and freezes together affect up to 44% of the total defense budget.[9]

The Mainland Affairs Council (MAC), which is the agency responsible for conducting cross-strait policy, experienced cuts or freezes amounting to approximately 21% of its budget.[10] MAC Spokesperson Liang Wen-chieh stated at a press conference on January 16 that the budget cuts would "paralyze" the agency and hinder its ability to combat PRC United Front infiltration into Taiwan, which is disguised in cross-strait exchanges.[11] United Front activities against Taiwan include overt and covert influence operations that primarily aim to inculcate in the Taiwanese public CCP notions that the PRC is the only legitimate government of China and that Taiwan is a part of that China. Liang warned that Taiwan will

be even more vulnerable to subversive activities, including theft of military intelligence, developing espionage networks, information operations, and poaching technology industry talent.[12]


The Ministry of Foreign Affairs (MOFA) experienced significant reductions to its operating budget and international assistance programs. MOFA stated on January 20 that the affected funds are used to support the ministry's basic administrative work, including that of overseas missions, as well as to support international exchanges and the rotation of personnel stationed abroad. MOFA stated that freezing operational expenses would result in insufficient diplomatic resources that weaken Taiwan's international influence and damage its competitiveness, while the PRC strengthens its diplomatic offensive to isolate Taiwan.[13] Diplomatic isolation is a key aspect of the PRC's overall strategy to undermine Taiwan's sovereignty by eroding its legitimacy on the international stage and depriving it of supporters. The PRC advances Taiwan's diplomatic isolation by pressuring sovereign governments not to engage with the Taiwanese government, rejecting Taiwan's participation in international organizations, and inducing Taiwan's remaining diplomatic allies to recognize the PRC as the legitimate government of China and Taiwan. MOFA budget cuts may make it more difficult for Taiwan to counter recent PRC efforts to sway Taiwan's diplomatic allies in the South Pacific, for example, several of which switched diplomatic relations from the ROC to the PRC in recent years.[14]

DPP officials have indicated that the party would take measures to resist the budget reductions. DPP Caucus Whip Ker Chien-ming stated on January 23 that the DPP would file for a court injunction to prevent the budget amendments from going into effect.[15] DPP Caucus Secretary-General Rosalia Wu Szu-yao stated on January 21 that the Executive Yuan would seek constitutional interpretation to challenge budget cuts, on the grounds that the LY cannot use its budgetary review powers to infringe on the rights of other constitutional organs.[16] It is unclear when the Constitutional Court will be able to accept the case, however, as recent KMT-led Constitutional Court reforms require at least 10 sitting justices to hear a case. The court currently has only eight justices, and the KMT-TPP alliance rejected all of the DPP's nominees to fill the vacancies in December 2024. Premier Cho Jung-tai stated on January 23 that the Executive Yuan is considering asking the LY to hold a revote on the budget plan with the aim of reversing the spending cuts.[17] This course of action is unlikely to yield a different result, however, as the opposition parties still maintain enough votes to confirm the amendments.

The budget reductions and freezes will fundamentally constrain government agencies' capacity to carry out their core functions. The government's degraded ability to operate is potentially disastrous for the policy agenda of President Lai Ching-te's administration, which is intensely focused on combatting pervasive PRC efforts to undermine Taiwan's sovereignty.

The KMT-TPP budget cuts specifically target ROC agencies and efforts central to defending against the PRC's ongoing campaigns to weaken Taiwan as the PRC prepares for a possible blockade or invasion. Cuts to public affairs budgets deprive Taiwan of the ability to counter the PRC's expanding information operations and explain policies to the public. Delays in Taiwan's submarine procurement undermine Taipei's efforts to deter and defend against potential PRC invasion or blockade scenarios. Cuts to Taiwan's drone development program delay and hamper Taiwan's efforts to implement lessons learned from the Ukraine conflict to prepare for future defense against aggression, even as the PRC continues to militarize and expand its own drone development. Cuts to Taiwan's diplomatic programs constrain its ability to challenge relentless PRC efforts to coerce the international community into accepting the

PRC as the legitimate government of Taiwan. The KMT and TPP’s explanations for the budget cuts focus on domestic Taiwanese political considerations. However, they do not clarify why the cuts target programs and activities that are central to protecting Taiwan against PRC coercion, malign influence, and deterring and defending against a possible future PRC armed attack.

 <b>Effects of Opposition Budget Cuts on Essential Taiwanese Resilience Capabilities</b>		
Department	Cut or frozen funds	Effect
Ministry of National Defense	<b>Cut</b> 3% of military equipment expenditure  <b>Frozen</b> 30% of operating expenditure 50% of budget for Minxiong aerospace and drone park 50% of budget for domestic submarine construction program	Reduce combat readiness and hinder force modernization
	<b>Cut</b> 40% of funds from “strengthening bilateral and multilateral cooperation” program 100% of media policy and promotion expenses 9% of consular affairs management budget  <b>Frozen</b> 50% of operating expenditure	
Mainland Affairs Council	<b>Cut</b> 12.5% of annual expenditure Incl. up to 40% of operating expenditure  <b>Frozen</b> Approximately 9% of annual expenditure	Reduce Taiwan’s capacity to counter PRC infiltration, United Front work, propaganda, and intelligence gathering
Ministry of Digital Affairs	<b>Cut</b> 40% of the budget for the Information Security Administration 100% of travel expenses	Reduce Taiwan’s resilience against malicious hacking and ability combat online fraud, Prevent MODA from conducting information security audits of overseas embassies, hinder Taiwan’s participation in international information

[18]

**The DPP legislative caucus launched a mass recall effort against opposition KMT legislators in response to the KMT and TPP's passage of bills that will reduce the national budget and hamper the Constitutional Court. The KMT may retaliate with its own recall effort against DPP legislators. A mass recall wave would further destabilize Taiwan's fractured political environment.** DPP legislative caucus chair Ker Chien-ming proposed a mass recall campaign against the opposition legislators, including Speaker of the Legislative Yuan (LY) Han Kuo-yu and Deputy Speaker Johnny Chiang Chi-chen. The effort would target the 39 KMT and two KMT-aligned independent lawmakers who were directly elected. Civic groups have begun canvassing for signatures to recall some of the legislators already.[19] The remaining 13 members of the KMT caucus in the LY as well as the eight TPP legislators were appointed to their seats by proportional representation and are not eligible for recall. KMT legislator Lai Shyh-bao claimed the KMT is planning its own recall campaign against the 38 directly elected DPP legislators.[20] KMT Chairman Eric Chu has publicly called for the recall of two DPP legislators already.[21]

Mass recall efforts by both major parties against each other's legislators indicate serious divisions in Taiwan's politics that continue to undermine the government's functioning. The DPP itself is internally divided about launching a mass recall wave. DPP Secretary-General Lin Yu-chang expressed concern about the consequences of launching an "all-out war" on the KMT less than one year into Lai Ching-te's presidency and said the DPP Central Committee had not discussed a mass recall campaign. Lai himself did not endorse the recall campaign but said that citizens have a right to initiate recall efforts.[22] It is unclear the extent to which the recall efforts by either side will succeed, or how they will affect the distribution of power in the LY. The recall efforts will likely be made more difficult by recent amendments to the Public Officials Election and Recall Act that the KMT and TPP passed in December, which require people who initiate or sign a recall petition to provide a copy of their national identification card.

**The Taiwanese Ministry of National Defense (MND) launched new protocols to make it easier to surveil and potentially board international vessels that are suspected of cutting cables in Taiwanese waters.** The MND established four "key surveillance zones" in the maritime regions offshore of the counties of Yilan, Pingtung, Penghu, and in the Bali District of New Taipei.[23] These zones will utilize existing naval intelligence and radar systems to monitor for suspicious activities and movements by international vessels that are within 24 nautical miles of the Taiwanese coast.[24] The ROC Navy will notify the Joint Operations Command Center and the Taiwanese Coast Guard Administration (CGA) to facilitate information-gathering and boarding operations against any vessel that engages in suspicious activities near undersea cables. The protocols also introduced corresponding measures that are meant to proactively expand joint military and CGA cooperation on protecting undersea cables. These measures will largely involve the navy providing maritime support and deploying additional naval assets if needed.[25]

The change in policy was triggered by two separate incidents of potential PRC sabotage of Taiwanese internet cables that occurred in early January. The first incident, which took place on January 3, involved the Cameroon-flagged *Shunxing 39* cargo ship dragging its anchor and cutting Taiwanese undersea internet cables near Keelung.[26] The Taiwanese Coast Guard Administration (CGA) was unable to apprehend the ship before it left Taiwanese waters due to bad weather conditions. The second incident, which occurred on January 6, involved the Mongolian-flagged *Bao Shun* taking an erratic course over undersea cables located north of Taiwan.[27] The CGA drove away the ship, which did not damage any cables, without boarding or questioning it.

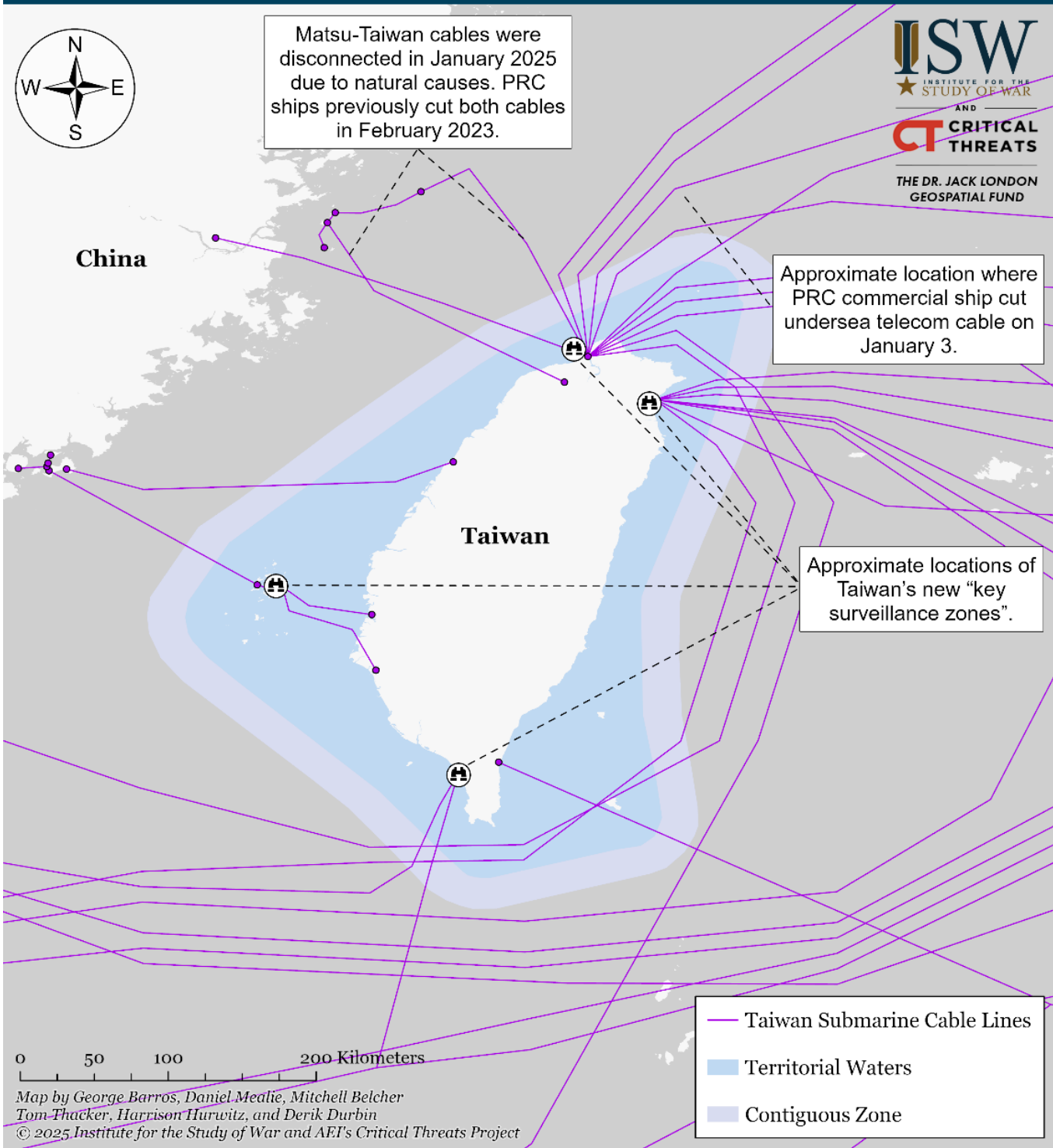
The PRC and the Hong Kong owner of the *Shunxing 39* have both continued to deny any involvement with the incident.[28] The PRC has claimed that such incidents are just common maritime accidents and that Taiwan is fabricating its claims of “so-called grey zone threats”.[29] This incident follows a similar cable-cutting incident by a PRC vessel that occurred in the Baltic Sea in November.[30] Active investigation of the vessel by Swedish authorities is ongoing.[31]

**Taiwan’s Ministry of Digital Affairs (MODA) said that Taiwan’s two undersea internet cables between Taiwan and its offshore Matsu Islands were disconnected within one week due to natural deterioration. Taiwan restored internet to Matsu with an emergency microwave transmission system, showing significant progress in strengthening emergency communications infrastructure since 2023.** Chunghwa Telecom, Taiwan’s main telecommunications provider, said that the Matsu No. 3 cable was “completely disconnected” on January 15 and that the No. 2 cable was disconnected on January 21. The two cables are the only ones connecting Taiwan and the Matsu Islands.[32] Deputy Minister of Digital Affairs Chiueh Herming attributed the cause of disconnection to “natural deterioration” and said that Taiwan did not detect any suspicious ships in the area at the time, though he noted that instances of ships damaging Taiwan’s undersea cables had risen in recent years.[33] The cable disconnections are the third and fourth such incidents in January 2025, compared to three cable disruptions in 2024 and three in 2023. Chunghwa Telecom restored partial internet access to Matsu within an hour using a satellite-based emergency microwave backup system.[34] It also re-established connection on the No. 2 cable on January 21 using a temporary repair.[35] MODA possesses nine asynchronous satellite devices for Matsu. Chiueh said that the microwave bandwidth exceeds Matsu’s weekday peak traffic, but will be prioritized for infrastructure and services such as government facilities, banks, and hospitals to prevent interruptions in key services for the archipelago’s 14,000 residents.[36] MODA estimated that repairs on the undersea cables themselves will be completed near the end of February, however.[37]

The incidents highlight the fragility of Taiwan’s critical communications infrastructure but also show Taiwan’s progress in strengthening emergency communications since 2023. Chiueh said that more than 99% of Taiwan’s external communications rely on undersea cables, despite efforts to develop satellite

communications.[38] Taiwan accused two PRC ships of cutting both of the Matsu cables in February 2023, though it stopped short of claiming that the PRC government was responsible. The damage caused an archipelago-wide internet outage that lasted for 50 days until the cables were repaired. Chunghwa Telecom set up a microwave-based backup in the meantime that beamed a signal from Yangmingshan, a mountain near Taipei.[39] The damage to the cables and the difficulty in repairing them shows a significant vulnerability in Taiwan’s critical communication infrastructure that the PRC could exploit to isolate Taiwan during a blockade or war. The rapid restoration of internet service to Matsu in the January 2025 outage through satellite-based backups, with relatively minor disruption for Matsu residents, shows that Taiwan has improved its resilience by developing good backups for communications outages for Matsu.[40]

# Taiwan Undersea Cables and Monitoring Zones





**The PRC announced that it will soon resume group travel to Taiwan for residents of Shanghai and Fujian Province. PRC officials and media continued to blame Taiwan’s DPP for creating obstacles to cross-strait exchanges, however.** The PRC Ministry of Culture and Tourism (MCT) announced on January 17 that it was making preparations to allow PRC nationals from Shanghai and Fujian to book group tours to Taiwan for the first time since 2020. It did not specify when the measures would come into effect.<sup>[41]</sup> Taiwan’s Mainland Affairs Council (MAC) said that it welcomed the announcement and was waiting for the PRC to announce the specific measures. It urged the PRC to open communications through the Taiwan Strait Tourism Association (TSTA) and the Association for Tourism Exchange Across the Taiwan Strait (ATETS), known as the “two small associations.” The TSTA and ATETS were established by the governments of Taiwan and the PRC, respectively, to facilitate communication and coordination on tourism issues.<sup>[42]</sup> PRC Taiwan Affairs Office (TAO) spokesperson Chen Binhua dismissed the call to communicate through the “two small associations” and called on the Taiwanese government to “remove various obstacles and restrictions on cross-strait tourism exchanges as soon as possible,” including resuming direct flights between the PRC mainland and Taiwan, to help normalize cross-strait exchanges.<sup>[43]</sup>

PRC and ROC authorities have regularly blamed each other for the lack of progress in resuming cross-strait travel. The PRC first banned individual travel to Taiwan in 2019, citing poor cross-strait relations. The PRC and ROC then both banned all cross-strait tourism during the Covid-19 pandemic. Taiwan ended Covid-related travel restrictions in 2022 but continues to prohibit organized group travel to the PRC.<sup>[44]</sup> It suspended plans to resume such group tourism in 2024 after a dispute about the PRC shifting flight routes in the Taiwan Strait.<sup>[45]</sup> The PRC has not resumed group or individual travel to the main island of Taiwan prior to the MCT announcement, but allowed Fujian residents to arrange group tours to the ROC islands of Kinmen and Matsu in 2024.<sup>[46]</sup> Taiwan’s Lai Ching-te administration has repeatedly said that it welcomes the resumption of cross-strait travel but would like this to happen on the basis of reciprocal policies from both governments. The PRC portrays the DPP administration as the source of obstacles to cross-strait travel, however.<sup>[47]</sup>

The PRC’s unilateral resumption of cross-strait tourism for Fujian and Shanghai residents may be part of a temporary focus on cross-strait integration initiatives, particularly in Fujian, over more coercive measures. The PRC is building Fujian Province into a “cross-strait integrated development pilot zone,” with a variety of programs to encourage Taiwanese to live, work, and study in Fujian. These measures include special ID cards to allow Taiwanese to access local services, incentives to start businesses and enroll in schools, and even programs promoting Taiwanese participation in Fujianese local governments. The Fujian TAO indicated that it is redoubling such cross-strait integration efforts in January 2025.<sup>[48]</sup> The PRC also promoted several major cross-strait exchange events in December 2024, including sending a rare educational delegation to Taiwan, participating in the Taipei-Shanghai Twin Cities Forum in Taipei, and welcoming former ROC President Ma Ying-jeou and other KMT officials to visit the PRC. The PRC is trying to balance between initiatives that advance “peaceful reunification” — which Beijing prefers over seizing Taiwan by force, if possible — and coercion of Taiwan’s incumbent DPP administration, which Beijing views as dangerous separatists. It is reopening

travel in a piecemeal way, in this case only for Fujian and Shanghai residents, likely to encourage reciprocal concessions from Taiwan.

**The United States and Taiwan signed a two-year specialized training program for Taiwan’s navy. This is the first time Taiwan’s Ministry of National Defense (MND) has publicized a specialized training agreement with the United States.** Taiwan’s MND revealed on January 17 that the ROC Navy signed an agreement on January 2 with the American Institute in Taiwan (AIT), the de-facto US embassy in Taiwan, to implement a two-year specialized training program with US instructors. The program has a budget of just under NT\$50 million (just over US\$1.5 million) and will be based in the southern city of Kaohsiung.[49] The MND’s announcement did not specify the nature of the training.[50] An anonymous Taiwanese military source said this is the first time the United States and Taiwan have publicly announced a “specialized training program,” though they have on rare occasions announced other joint training programs. The source said that the announcement is a shift from a confidential to a semi-public approach to joint training, testing political and public reactions.[51]

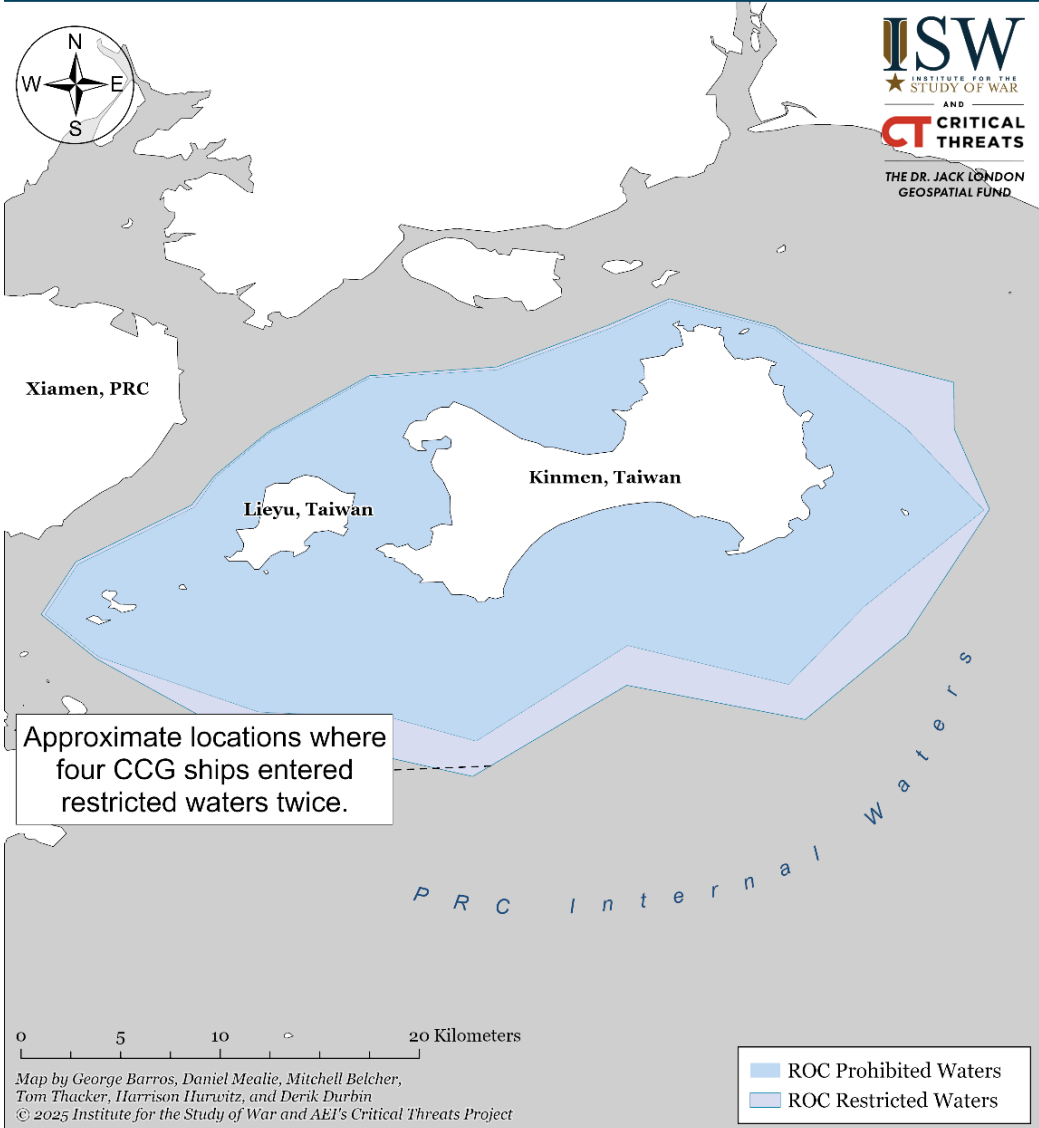
**The ROC National Security Bureau (NSB) said that it has only found about one dozen Taiwanese applications for PRC ID cards so far in response to a widely-viewed YouTube video that claimed that over 200,000 Taiwanese had obtained PRC ID cards over the past decade.** A documentary by Taiwanese Youtuber Pa Chiung that aimed to expose the PRC’s United Front efforts to recruit Taiwanese nationals claimed that the 200,000 Taiwanese nationals had applied for PRC ID cards while in Taiwan. NSB Director Tsai Ming-yen said that the claim was exaggerated, however. He said that his bureau has discovered only a dozen cases in New Taipei, Taichung, Yunlin County, and Kaohsiung since launching an investigation in response to the video. ROC Interior Minister Liu Shyh-fang said that the government has revoked the Taiwanese household registration of one of the 12 people under investigation.[52] The PRC and especially Fujian Province, which is located across the strait from Taiwan, has ramped up efforts to entice Taiwanese people to live, work, and study in the PRC in recent years. Such measures include issuing ID cards, making it easier for Taiwanese to enroll in PRC schools and universities, and recruiting Taiwanese nationals for civil service jobs.

**Four China Coast Guard (CCG) ships entered restricted waters around Taiwan’s Kinmen Islands twice on January 21.** Four CCG ships entered at four different locations in Kinmen’s southern restricted waters at 7:50 a.m., then split into two two-ship formations for patrols. The ships left at an unspecified time, re-entered later in the morning, and finally left again at noon. Taiwan’s CGA said that it was the 56th such incursion since the beginning of 2024.[53] Kinmen is an ROC archipelago located just two miles from the PRC mainland. Taiwan does not claim territorial waters or a contiguous zone around the islands due to their proximity to the PRC but maintains concentric prohibited and restricted zones around the islands that are roughly equivalent. Controlling the restricted waters south of Kinmen could enable the CCG to carry out a tight “quarantine” or blockade of the islands if it chooses, blocking passage between the islands and Taiwan proper.

The PRC normalized CCG incursions into the restricted waters around Kinmen in 2024 to assert its law enforcement jurisdiction in the waters and to strain the CGA’s resources and threat awareness around Kinmen. The PRC began these incursions after two PRC fishermen died when their speedboat capsized

while fleeing a CGA ship in Kinmen's prohibited waters in February 2024. The PRC has since established a regular pattern in which groups of four CCG ships have carried out "law enforcement patrols" three or four times each month in restricted waters, usually for two hours at a time. The CCG has varied its tactics in various ways, including grouping incursions back-to-back on the same day or consecutive days, carrying out incursions at different times of day, and experimenting with patrols in and out of formation. It has not increased the number of ships involved or crossed into Taiwan's prohibited waters since May 2024, however. The CCG may be varying its tactics without escalating them because it wants to force Taiwan to maintain a high level of alertness but avoid alarming the residents of Kinmen, which is a relatively "China-friendly" jurisdiction and a target of some of the PRC's "cross-strait integration" initiatives.

## China Coast Guard Violations of Kinmen's Restricted Waters (January 21)



## *China*

**PRC Ministry of Foreign Affairs (MFA) spokesperson Guo Jiakun stressed the PRC's willingness to maintain dialogue with the United States, despite recent statements from US Secretary of State Marco Rubio and PRC sanctions placed on him.**<sup>[54]</sup> The US Senate voted unanimously to confirm Secretary Rubio's nomination on January 19, making Rubio the first member of President Donald Trump's new cabinet. Secretary Rubio emphasized during his January 15 confirmation hearing the importance of continued US defense of Taiwan amid PRC aggression. Rubio described the PRC as "the most potent and dangerous near-peer adversary this nation has ever confronted."<sup>[55]</sup> MFA spokesperson Guo Jiakun responded to Rubio's statement by accusing the United States of carrying out "unwarranted attacks" and smear campaigns against the PRC, despite PRC efforts for peaceful cooperation with the US. Guo also urged the US to stop "interfering" in internal PRC affairs.<sup>[56]</sup>

The PRC sanctioned then-Senator Rubio in 2020 for his criticisms of PRC behavior in Hong Kong and Xinjiang.<sup>[57]</sup> Guo did not indicate that these sanctions would be removed after Rubio became Secretary of State. Sanctions on officials have sometimes prevented high-level bilateral communication: former PRC Defense Minister Li Shangfu refused to hold talks with US defense officials due to sanctions placed on him by the United States. The PRC did not indicate that the sanctions placed on Secretary Rubio would hinder communication between the two states, instead stressing the importance of continued dialogue and maintaining peaceful bilateral relations.

**The Biden administration's US Commerce Department's Bureau of Industry and Security (BIS) issued new export control regulations on advanced semiconductors and added entities in the PRC and Singapore to the Entity List. The Department of Homeland Security also expanded the list of companies on the Entity List whose imports are blocked to the US under the Uyghur Forced Labor Prevention Act.** The US Commerce Department stated on January 15 that the new restrictions on advanced computing semiconductors are meant to prevent China from acquiring high-end chips that may be used for military purposes, especially for advanced AI capabilities.<sup>[58]</sup> This is the fourth round of restrictions since October 2022. The new rules "impose a broader license agreement for foundries and packaging companies," tighten technical definitions, update the transaction reporting process, and create new processes for companies to "be added to the list of Approved IC designers and OSATs." BIS deemed 16 entities to have acted in support of the PRC's development of indigenous advanced chip production and added them to the Entity List, a trade restriction list of foreign individuals, companies, and organizations deemed a national security concern.<sup>[59]</sup> These most recent restrictions are the Biden administration's parting attempt to limit the PRC's growth in AI technology. The PRC has imposed export controls of its own on dual-use technologies as well as critical minerals in response to the previous round of US export controls, including a ban on exporting antimony, gallium, and germanium to the United States in December 2024.<sup>[60]</sup> PRC MFA spokesman Guo Jiakun criticized the United States for imposing semiconductor import restrictions on China. Guo stated that "this practice is a typical example of economic coercion and hegemony, and China is strongly dissatisfied with and firmly opposes it."<sup>[61]</sup>

The Biden administration also expanded the number of PRC companies on the Entity List for their alleged involvement with forced labor from the Xinjiang region from 107 to 144.[62] It added 37 companies, particularly in the critical minerals, textiles, and solar technology industries.[63] MFA spokesman Guo criticized the United States for imposing these restrictions, calling them “completely nonsense.”[64] Notable companies affected include critical minerals supplier Zijin Mining and its three subsidiaries as well as textile company Huafu Fashion and its 25 subsidiaries. The other entities accused of violating the Uyghur Forced Labor Prevention Act include multiple green energy technology manufacturers and their subsidiaries in solar technologies and silicon production as well as a real estate company.[65]

**The PRC held high-level meetings and calls with US officials to coincide with the January 20 inauguration of US President Donald Trump. CCP General Secretary Xi Jinping spoke with Trump on the phone before the inauguration.** PRC Vice President Han Zheng received an invitation to the inauguration and met with US Vice President JD Vance. Han’s discussions with Vance reportedly centered on trade relations, fentanyl, and the maintenance of a stable US-PRC relationship.[66] Han also met with US business leaders, Brookings Institution Honorary Chairman John L. Thornton, and Elon Musk. A PRC MFA stated that these discussions focused on US-PRC cultural and economic exchanges.[67] The PRC Embassy in the United States reported that Musk expressed an interest in deepening “investment and cooperation” in the PRC and that both sides hoped to deepen trade and economic cooperation.[68] The PRC may have an interest in using high-level US business leaders as a conduit for diplomatic and economic agreements with Trump.

Han’s meeting followed a January 17 phone call between Xi and Trump during which the two leaders reportedly discussed similar topics: fentanyl, trade issues, and TikTok.[69] Xi also congratulated Trump on his inauguration. A PRC MFA readout on the call said that the two leaders “exchanged views on major international and regional issues of common concern, such as the Ukrainian crisis and the Israeli-Palestinian conflict.” Xi stressed that the Taiwan issue is one of “national sovereignty and territorial integrity” and said that it is “hoped that the US side will handle it with caution.” The readout also said that Trump and Xi “agreed to establish a strategic communication channel to maintain regular contact on major issues of common concern.” It did not discuss the specific nature of this communication channel, however.[70]

The PRC is maintaining a precedent of high-level exchanges with the Trump administration; these early meetings with Trump administration officials signal an interest in continued diplomatic engagement. Trump invited Xi to attend his inauguration in December in what would have been the first official visit by any foreign head of state to a US inauguration.[71] (Trump also invited several other state leaders, four of whom attended: the heads of state of Italy, Argentina, Ecuador, and Paraguay.)[72] Xi declined the invitation but sent Han Zheng in his stead. Han is the most senior PRC official to attend a US inauguration to date. Sending such a high-level official to the inauguration signals that Beijing places a high priority on its relationship with the new US administration.[73] The *Wall Street Journal* cited unnamed officials who said that Trump has expressed an interest in visiting the PRC within his first 100 days in office.[74] The MFA readout on the Xi-Trump call said that Trump “cherished his great

relationship with President Xi” and “looked forward to meeting with President Xi as soon as possible.”<sup>[75]</sup>

Taiwan also sent a cross-partisan delegation of seven lawmakers, led by ROC Legislative Speaker Han Kuo-yu of the KMT, to attend the inauguration together with Taiwanese Representative to the United States Alexander Tah-ray Yui. This the second time Taiwanese delegates have attended a US presidential inauguration; the first instance occurred in 2021.<sup>[76]</sup> Taiwan’s delegation viewed the inauguration ceremony on live stream from a separate venue after the event was moved inside due to weather conditions.<sup>[77]</sup> PRC Vice President Han Zheng sat inside the Capitol alongside PRC Ambassador to the United States Xie Feng, however.<sup>[78]</sup>

## Northeast Asia

### *Japan*

**A PRC delegation from the PLA’s Eastern Theater Command visited Tokyo from January 13 to January 17 and a Japanese delegation of lawmakers from the Liberal Democratic Party (LDP) and Komeito visited Beijing from January 13 to January 15.** These exchanges follow Japanese Foreign Minister Takeshi Iwaya’s trip to Beijing on December 25, as well as a meeting between Japanese and PRC defense ministers in November during a regional defense gathering in Laos. Japanese government spokesman Yoshimasa Hayashi stated that “the promotion of mutual understanding and trust through frank communication at commanders’ level will contribute to the building of constructive and stable relations between Japan and China,” referring to the PRC delegation’s visit.<sup>[79]</sup> The PLA Eastern Theater Command said that the “visit will help enhance understanding and mutual trust between the two sides, and promote defense exchanges between China and Japan.”<sup>[80]</sup> The Japanese lawmakers visiting Beijing met with senior members of the CCP, including two members of the Politburo Standing Committee and five members of the larger Politburo. LDP Secretary-General Hiroshi Moriyama also delivered a letter from Prime Minister Shigeru Ishiba inviting CCP General Secretary Xi Jinping to visit Tokyo.<sup>[81]</sup> PRC Premier Li Qiang said that the bilateral relationship is at a critical period for improvement and development.<sup>[82]</sup>

The high-level exchanges between Japan and the PRC took place just days before US President Donald Trump began his second term. Trump has pledged to impose higher tariffs on PRC exports to the United States.<sup>[83]</sup> The possibility of worsening US-PRC relations may prompt the PRC to seek to strengthen ties with neighboring countries such as Japan. Improving relations between Japan and the PRC will require addressing ongoing disputes, as both delegations highlighted during their meeting, however. Japan raised the PRC’s import restrictions on Japanese fishery products imposed in August 2023 following Japan’s decision to release treated wastewater from the Fukushima nuclear plant.<sup>[84]</sup> The Japanese delegation also proposed the creation of an Asian version of the Organization for Security and Cooperation in Europe, possibly in response to the PRC’s military activities near Japanese waters and airspace, including a PRC aircraft violating Japanese airspace and the CCG ships approaching the disputed Senkaku Islands.<sup>[85]</sup>

### *North Korea*

**The U.S. Department of the Treasury’s Office of Foreign Assets Control (OFAC) sanctioned two individuals and four entities on January 16 for generating illicit revenue for the DPRK government. Among those sanctioned one individual and one entity are based in the PRC, highlighting the continued and active presence of DRPK’s illicit money-generating operations in the PRC.** Son Kyong Sik is the Shenyang-based chief representative of Department 53 of the DPRK’s Ministry of the People’s Armed Forces. Department 53 is a weapons-trading entity under the DPRK Ministry of National Defense that generates illicit revenue through front companies in industries like IT and software development. OFAC sanctioned Son for his role in representing one of these front companies, Korea Osong Shipping Co. Osong engages in cryptocurrency exchanges and operates websites and mobile applications through a network of covert DPRK IT workers in Laos. OFAC sanctioned another PRC-based entity, Liaoning China Trade Industry Co., Ltd. (Liaoning China Trade), for supplying Department 53 with IT equipment that supports its overseas cyber operations. The equipment includes notebook and desktop computers, graphics cards, HDMI cables, and network hardware.[86] The DPRK government relies heavily on its overseas IT workers, with an estimated 3,000 DPRK IT workers generating between \$250 million and \$600 million annually.[87] These workers play a key role in the regime’s effort to circumvent U.S. and United Nations (UN) sanctions.[88] Their activities include cyber heists targeting banks and financial services, such as the successful \$81 million theft from Bangladesh Bank in February 2016.[89] The revenue generated by these illicit cyber operations finances the regime’s weapons programs and supports Russia’s invasion of Ukraine. The PRC reportedly offered technical training to DPRK IT students through university systems and provided employment opportunities in related fields such as the gaming design industry.[90] The PRC also DPRK cyber units to operate in cities Shenyang and Dandong according to research by Victor Cha at the Center for Strategy and International Studies (CSIS).[91] The recent sanctions by OFAC reflect the continued role of the PRC in facilitating DPRK IT workers’ illicit operations.

**The PRC firm Shenyang Machine Tools Company (SMTCL) reportedly violated United Nations Security Council (UNSC) sanctions by supplying computer numerically controlled (CNC) machine tools to the DPRK government in 2015. New information revealed by the Institute for Science and International Security (ISIS), a US think tank focused on nuclear proliferation issues, shows that the PRC government not only refused to cooperate with foreign authorities investigating the violation but also denied DPRK involvement.** PRC-owned SMTCL manufactures CNC machines tools used to produce precise components for weapon systems. These machines contain subcomponents from Western suppliers, some of which are banned from re-export under the European Union (EU) sanctions due to concerns about their potential use in military programs.[92] The ISIS reported in 2017 that an unnamed European government gathered evidence showing that SMTCL exported at least two 6-axis CNC machine tools to North Korea without re-export authorization, with some SMTCL officials aware that the end user was the North Korean government.[93] The PRC government refused to cooperate with the European country’s investigation, instead conducting its own internal inquiry. The PRC reportedly concluded that three Shenyang machine tools arrived at Dandong, PRC, for a “small tulip trader,” deeming the sale legal.[94] Dandong is on the border with North Korea. PRC-made machinery has appeared in North Korea’s weapons factory in photos released by DPRK state media *Korean Central News Agency (KCNA)* as recently as July 5, 2024. U.S. outlet *NK Pro* identified the machinery in the

factory to be “high-speed precision CNC lathes” produced by PRC firm Nanjing Jianke Machinery Co.[95] KCNA stated that the factory “[plays] an important role in increasing the defense capabilities of the country.” The UNSC resolution bans the sale of “all industrial machinery” to the DPRK, but none of the stated PRC suppliers have been sanctioned or penalized by the UNSC, United States, or EU.[96] The absence of penalties demonstrates the PRC government’s lax enforcement of international sanctions, which has enabled North Korea to accelerate its weapons programs using PRC- and European-made technologies. The new revelations mean that the PRC is supplying the DPRK with machine tools that can help the DPRK aid the Russian war in Ukraine. Russia uses North Korean artillery and ballistic missiles in its invasion of Ukraine, further reflecting the impact of such illicit technology transfers to North Korea.[97]

## Southeast Asia

### *Philippines*

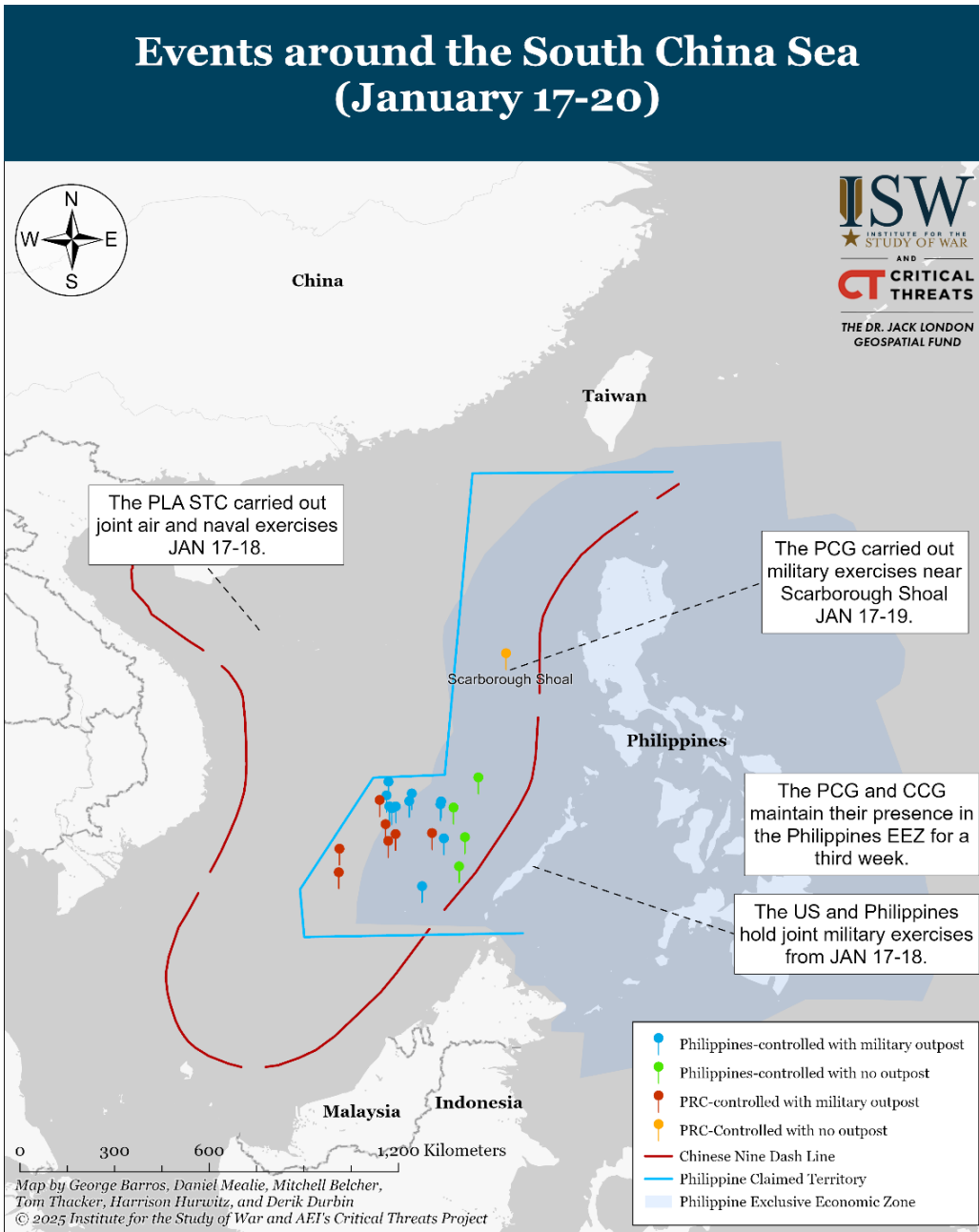
**The Philippines and the PRC agreed to strengthen dialogue and bilateral cooperation efforts during the first high-level bilateral exchange to discuss South China Sea disputes to occur since July. These talks occurred amid a spike in tensions between the two countries due to coercive PRC behavior in the Scarborough Shoal and the Philippines’ exclusive economic zone (EEZ).** PRC Vice-Minister for Foreign Affairs Chen Xiaodong and Philippine Undersecretary for Foreign Affairs Maria Theresa Lazaro held talks on January 16 during the Tenth Meeting of the China-Philippines Bilateral Consultation Mechanism on the South China Sea.[98] Both sides lodged protests against the other during the meeting for infringing on maritime territory and violating international law.[99] The Philippines Coast Guard (PCG) has been closely monitoring the movements of the *CCG 5901*, one of the world’s largest coast guard vessels, and other CCG vessels since January 3. The PCG reported that the CCG came within 77 nautical miles of Zambales, Luzon on the Philippines’ northwestern coast.[100] The PRC urged the Philippines to abide by the Declaration on the Conduct of Parties in the South China Sea, which calls on parties to settle disagreements through dialogue and consultation. The Ninth Meeting of the China-Philippines Bilateral Consultation Mechanism was held on July 2, 2024, during another spike in bilateral tensions centered around incidents in Scarborough Shoal and Sabina Shoal.[101]

**The PRC carried out military exercises in the South China Sea in response to joint US-Philippine exercises and Philippine Naval patrols around Scarborough Shoal. The Philippines Coast Guard (PCG) marked its third week of actively challenging China Coast Guard (CCG) presence in the Philippines EEZ.** The Philippine Navy conducted a patrol and live-fire drills near Scarborough Shoal from January 17-19.[102] The US Navy’s Carl Vincent carrier strike group joined two Philippine naval vessels for a Maritime Cooperative Activity (MCA) near the Philippines’ western Palawan province from January 17-18.[103] This marked the fifth bilateral naval patrol between the United States and the Philippines to occur in the South China Sea since 2023 and is the first joint effort between the two states to occur in 2025. The PLA Southern Theater Command (STC) responded to these exercises by carrying out its own two-day air and naval exercises in the South China Sea.[104] The STC stated that the exercise was for the purpose of maintaining peace and security within what the PRC views as its maritime territory. Tensions in the South China Sea have been high



since the beginning of 2025, centered around a three-week standoff between the PCG and CCG off the western coast of Luzon.[105]

The actions of the Philippine Navy and PCG are necessary to prevent the PRC from altering the status quo in the South China Sea and operating in Philippine-claimed waters uncontested. The timing of the joint US-Philippines exercise is significant and is likely intended to convey the extent of continued US support for its ally in this period of tension and change in US leadership. The actions of the Philippines and PRC in the South China Sea indicate that despite high-level bilateral exchanges urging continued communication and a reduction in tensions, neither side is willing to reduce its coast guard presence in the South China Sea at this time.



**Philippine law enforcement arrested a PRC national and two alleged Filipino accomplices for spying on critical infrastructure in the Philippines.** Deng Yuanqing, the main suspect, was found to have surveyed critical infrastructure sites such as military installations, ports, and communication and power grids, and, when his vehicle was seized, investigators found espionage equipment.[106] Investigators said that the two Filipino nationals, Ronel Jojo Balundo Besa and Jayson Amado Fernandez, acted as Deng’s assistants and drivers.[107] Deng is affiliated with the People's Liberation Army University of Science and Technology according to the Philippine National Bureau of Investigation. The bureau also identified three more suspects based in the PRC linked to this case: two engineers and a financier.[108] Deng’s vehicle was found to have transmitted detailed topographic footage of infrastructure on Luzon island from December 13 to January 16, and, based on the maps seized from the suspects, they had plans to go to Visayas and Mindanao as well.[109] Sites used under the Enhanced Defense Cooperation Agreement between the Philippines and the United States were included in the list of locations surveilled. Deng operated in a group that received funding through shell companies amounting to 1.5 to 12 million pesos a week.[110] NBI officials suspect that Deng is a sleeper agent; he has been in the Philippines for at least five years without drawing attention.[111]

This espionage case follows an incident earlier in January in which a PRC submarine drone was found in Philippine waters. The drone appeared to have surveillance and reconnaissance capabilities, and the marking on it referred to a PRC underwater navigation and communication system, leading officials to believe that it is from the PRC.[112] Investigators are looking to see if the cases are linked. Philippine Navy spokesperson Roy Vincent Trinidad said in a January 21 press briefing, “There now seems to be a deliberate and calculated move to map out the country by a foreign power.”[113]

Deng’s efforts to transmit geographic information on critical infrastructure, including military facilities, and the surrounding terrain has very likely provided the PRC with valuable insights. Chief of Staff of the Armed Forces of the Philippines, General Romeo Brawner Jr., stated the transmitted data is dangerous for national security as there are many details observable from the ground that cannot be identified through satellite imagery.[114] This incident is also not the first PRC effort to map out the Philippines—there was a prior case in 2024 in which a suspect acted alone, driving his own vehicle and operating the equipment without assistance, as well as 5 incidents in which the Philippines seized drones that flew over critical infrastructure.[115]

**The PRC brokered a ceasefire between the Myanmar National Democratic Alliance Army (MNDAA) and the Myanmar junta, following months of PRC pressure to halt fighting along the PRC-Myanmar border. A lasting PRC-led ceasefire could improve the PRC’s relationship with ASEAN member states and support PRC narratives portraying itself as a force for peace in the region.** The MNDAA, an ethnic armed organization (EAO) in Myanmar’s northern Shan state, signed a truce with the junta on January 18 following seven rounds of PRC-brokered negotiations.[116] Shan state, which shares a border with the PRC’s Yunnan Province, has been the site of some of the most significant territorial gains by opposition forces following the October 2023 launch of Operation 1027, a massive offensive operation led by the MNDAA, Ta’ang National Liberation Army (TNLA), and Arakan Army (AA) that represented the most significant turning point in

the conflict since its inception.[117] The PRC has become increasingly involved in peace efforts in Myanmar following Operation 1027, brokering a now-defunct peace agreement in January 2024.[118] The PRC's most recent efforts to halt conflict have resulted in the PRC closing its border with Shan state, halting its trade and humanitarian aid provision to MNDAA-held territory, and urging PRC-backed EAOs to break off relations with the MNDAA.[119] This economic pressure resulted in the MNDAA's agreement to cease offensive efforts and to retreat from the city of Lashio, the location of the junta's Northeastern regional headquarters, and one of the most significant territorial gains for the MNDAA in this conflict.

The PRC has significant economic interests in Myanmar, exporting \$13.5 billion in goods to Myanmar in 2022 prior to the outbreak of conflict, and importing \$9.62 billion in goods from Myanmar in the same year.[120] The PRC has invested \$7.3 billion USD in the Kyaukphyu deep-water port in western Myanmar that will provide access to the Indian Ocean. The PRC has also invested heavily in oil and gas pipelines that run from Kyaukphyu into Kunming, Yunnan Province, PRC.[121] Myanmar provides the PRC an alternative shipping route through the Bay of Bengal, thereby reducing PRC reliance on the Strait of Malacca.[122]

A PRC-led ceasefire would also have significant geopolitical benefit to the PRC, due to the emphasis that the Association of Southeast Asian Nations (ASEAN), a ten-country regional bloc, has placed on bringing an end to the conflict in Myanmar. The PRC has significant economic and political influence in Southeast Asia, a cause for concern for many ASEAN states who worry about becoming too dependent upon the PRC and worry about PRC militarism, and have instead pushed for greater US economic and political involvement.[123] Many political analysts have voiced concerns that the Trump administration will decrease US engagement with Southeast Asia, providing an opportunity for the PRC to further increase its regional influence.[124] A PRC-brokered ceasefire could allow the PRC to disseminate narratives about being a "force for peace" in the Indo-Pacific, aligning with previous messaging campaigns and working to improve perceptions of the PRC in Southeast Asia.

## Oceania

**The PRC continued to try to persuade Pacific Island states to cut ties with Taiwan as ROC Foreign Minister Lin Chia-lung attended Palauan president Surangel Whipps Jr.'s inauguration ceremony.** Lin delivered a congratulatory message from ROC President William Lai Ching-te, and Whipps thanked Taiwan for its support to Palau. Envoys from the United States, Australia, India, Tuvalu, the Marshall Islands, and Guam were also in attendance.[125] PRC Foreign Ministry spokesperson Guo Jiakun said that Taiwan is a province of China and cannot have a "foreign ministry" in a regular press conference on January 16. He claimed that "friendly people from Tuvalu, Palau, the Marshall Islands and other countries have recently expressed to China their willingness to establish or restore normal diplomatic relations with China," which he said is "only a matter of time." [126]

The PRC's response to Lin's Palau visit is consistent with its efforts to delegitimize Taiwan and use economic and rhetorical means to coerce Pacific Island nations into recognizing the PRC. Palau is one of three Pacific island nations, alongside the Marshall Islands and Tuvalu, to maintain diplomatic relations with the ROC.[127] ROC President William Lai visited these countries as part of his Pacific tour in November 2024.[128] The PRC condemned these visits and launched large-scale, though

unannounced, military exercises around Taiwan shortly after.[129] ISW assessed that Palau plays a strategic role in US-PRC competition in the Pacific and that its re-election of Whipps — a vocal critic of the PRC — indicates the strength of its rising opposition to PRC influence.[130] Palau makes up part of the Second Island Chain, is part of the US-affiliated Compact of Free Association (COFA), and has vocally sought US support on security issues.[131] The PRC likely perceives a US-friendly Palau that is hostile toward the PRC and openly recognizes Taiwan as a threat to its security. Whipps has accused the PRC of subversive activities ranging from maritime incursions into Palau’s EEZ to economic coercion and organized crime in Palau.[132]

The ROC embassy in Tuvalu accused the PRC on January 15 of using a “disinformation” campaign to garner support for PRC talking points. The embassy objected to the release of videos showing Tuvalu residents claiming that Taiwan is part of the PRC and criticizing Lai’s 2024 visits to Pacific Island nations.[133] The PRC will likely maintain rhetorical and coercive efforts in Tuvalu, Palau, and elsewhere as part of its broader campaign to advance its security footprint and diplomatic recognition among Pacific islands.

## Russia

**CCP General Secretary Xi Jinping held a video conference with Russian President Vladimir Putin on January 21, hours after US President Trump’s inauguration.** The PRC readout of the meeting emphasized Xi’s advocacy for “comprehensive strategic cooperation,” especially in multilateral forums such as the Shanghai Security Organization (SCO) and among “greater BRICS” countries.[134] Russian presidential aide Yuri Ushakov stated in a briefing after the conference that Xi’s and Putin’s conversation was not related to the inauguration of Trump the previous day.[135] He said that Xi briefed Putin about the content of Xi’s call with Trump on January 17, however, this statement was not present in the PRC readout of the call.[136] The timing of the call indicates the PRC’s and Russia’s intent to maintain coordination in international affairs in the Trump administration.

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