



QUICK-READ ANALYSIS

China's Facilitation of Sanctions and Export Control Evasion

Report by U.S.-China Economic and
Security Review Commission

Report published: 14 November 2025
Analysis written: 7 December 2025

(for the full report, [click here](#))

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Core Finding

- The report concludes that China has become a decisive enabler of sanctions and export control circumvention for Russia, Iran and North Korea.
- This conclusion is not based on individual violations alone, but on the aggregate effect of sustained trade, financial facilitation, and logistical support that allows sanctioned states to continue operating within the global economy.

A Structural Role - Not Accidental

- The Commission argues that China's role is structural because it combines:
 - large-scale trade with heavily sanctioned economies
 - a sophisticated manufacturing base for dual-use goods
 - financial institutions partially insulated from the dollar system
 - regulatory opacity across customs, shipping and corporate ownership
- Together, these features allow sanctions pressure to be absorbed and redistributed, rather than transmitted directly to target states.

Sanctions Evasion as an Integrated System

- Rather than isolated tactics, the report describes an industrial-scale evasion system, in which multiple mechanisms reinforce one another:
 - energy trade via shadow shipping
 - renminbi settlement and alternative clearing
 - barter and oil-for-infrastructure arrangements
 - layered money-laundering networks
- The Commission notes that acting as a hub enables economies of scale, reducing costs and risks for participants.

Shadow Fleet & Energy Logistics

- Energy trade is central to this system.
- The report documents:
 - the growth of Iran's shadow tanker fleet from roughly 70 vessels in 2020 to nearly 550 by 2025
 - a global shadow fleet accounting for an estimated 17% of oil tankers
 - China as the primary destination for oil carried by these vessels, particularly to independent 'teapot' refineries in Shandong
- These logistics networks allow sanctioned oil to move at scale despite shipping and insurance restrictions.

Iran: Revenue and Financial Conversion

- China is assessed to purchase around 90% of Iran's exported crude, valued at \$46.7bn in 2024.
- The report estimates this revenue accounts for roughly 45% of Iran's government budget.
- Payments are often routed through:
 - provincial Chinese banks with limited USD exposure
 - Hong Kong intermediaries
 - barter-like oil-for-infrastructure arrangements
- The effect is to reconnect Iranian oil revenue to global financial markets despite formal restrictions.

Russia: Energy and Dual-Use Supply

- Since 2022, China has become Russia's largest energy customer:
 - importing roughly 2.2m barrels per day of crude in 2024
 - undermining the effectiveness of the G7 oil price cap
- At the same time, China is identified as the largest supplier of dual-use goods to Russia, enabling continued weapons production despite export controls

Export Controls Under Pressure

- Export controls are treated as the most exposed element of the sanctions regime.
- The report highlights that:
 - China reported over \$300m per month in exports to Russia of ‘high-priority’ dual-use items in 2024
 - up to 89% of Russia’s imports of CHPL items in 2023 originated in or transited through China or Hong Kong
 - more than 125 Chinese or Hong Kong entities have been added to the U.S. Entity List since 2022 for Russia-related activity
- This is described as systematic circumvention, not incidental leakage.

Financial Architecture and Payments

- The report details how financial adaptation supports trade:
 - more than 90% of China/Russia trade is now settled in renminbi or rubles
 - China's CIPS system had 176 direct and 1,552 indirect participants by August 2025
 - small and regional banks play an outsized role due to limited exposure to U.S. sanctions
- These channels reduce transparency and weaken traditional leverage tied to dollar clearing.

North Korea: Trade and Laundering

- China is assessed as North Korea's principal economic lifeline:
 - accounting for around 98% of DPRK trade in 2023
 - facilitating barter trade, smuggling, and financial laundering
- The report links Chinese networks to laundering proceeds from state-sponsored cybercrime, providing funds for weapons development despite UN sanctions.

Enforcement Limits

- The Commission is explicit about constraints on enforcement:
 - secondary sanctions raise costs but prompt rapid adaptation
 - designations are offset by new vessels, firms and intermediaries
 - broad sanctions on Chinese banks risk systemic financial spillovers
- As a result, sanctions increasingly generate friction rather than isolation when China is not aligned.

In Perspective: China's Counter-Argument

- Beijing generally rejects the framing of reports like these.
- Its position is that:
 - re Russia: only UN Security Council sanctions carry legal authority
 - re North Korea: border protection and avoiding regime collapse through trade support supercedes the importance of sanctions
 - re Iran: trade viewed as normal cooperation to sustain development and energy stability
 - unilateral sanctions represent extraterritorial overreach, despite their own use of restrictions.
 - much of the cited trade is visible in official customs data
 - Renminbi settlement and de-dollarisation are defensive responses to external pressure

What the Report Ultimately Suggests

- The report points to a structural challenge for sanctions policy:
 - effectiveness depends on cooperation from systemically important economies
 - China's scale allows it to dilute and redistribute pressure
 - without alignment, sanctions constrain behaviour at the margins rather than compel strategic change
- The issue, the report suggests, is not enforcement capacity alone, but the limits of economic statecraft in a fragmented global system.

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