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Position Paper

# Trade and Investment Relations Between Yemen and China

## Deferred Understandings Amid Geopolitical Competition

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# Introduction

Relations between Yemen and China extend back nearly seven decades and represent one of Yemen's oldest diplomatic relationships with a major global power. Over the past 10 years, however, these relations have undergone significant changes. Some of these shifts are linked to the internal war in Yemen, while others stem from the intersection of regional and international interests, particularly those of Saudi Arabia, Iran, and the United States of America.

China remains one of Yemen's most important trading partners. Beijing views Yemen through a broader geopolitical lens associated with the security of maritime trade routes and the Belt and Road Initiative (BRI). This perspective is reinforced by the strategic significance of the Bab al-Mandab Strait and the Red Sea in global trade flows. Approximately 12 % of global trade passes through the Bab al-Mandab Strait, underscoring the region's critical importance to international shipping and energy supply chains.

This strategic importance helps explain recurring reports about Chinese ambitions to invest in Yemeni ports, particularly the Port of Aden. Recently, statements attributed to the Chairman of the Aden Gulf Ports Corporation circulated in the media suggesting the existence of understandings to rehabilitate and operate the Port of Aden in partnership with a Chinese company, reportedly under the sponsorship of Saudi Arabia and the United Kingdom. This paper seeks to verify such claims through credible sources, which will be discussed later in the analysis. Despite China's growing interest in Yemen, the continuation of the Yemeni conflict, the multiplicity of local actors, and the intensifying geopolitical rivalry between China and the United States, combined with the sensitivity of Beijing's relations with Arab Gulf countries and Iran, have led China to adopt a cautious approach toward deeper economic or investment engagement in Yemen.

Against this backdrop, a key question emerges:

What are the prospects for transforming Yemeni-Chinese relations into a broader economic and investment partnership amid the ongoing war in Yemen and rising international competition in the Red Sea?

This paper also examines the evolution of Yemen–China relations, including official meetings between the two countries, China’s positions toward the various parties in the Yemeni conflict, U.S. accusations regarding alleged links between Chinese companies and the Houthi group, and developments related to cooperation in port infrastructure, particularly Aden. It further explores the future trajectory of Yemeni-Chinese relations, especially in the fields of development and investment.

## Historical Background

Formal diplomatic relations between Yemen and China were established on 24 September 1956, a date that Yemen continues to commemorate as a milestone in a strategic relationship built on decades of friendship and cooperation.

China was among the earliest countries to provide Yemen with technical assistance and infrastructure support long before the current conflict. This included industrial and service projects such as the construction of textile and spinning factories in Sana'a during the second half of the twentieth century. These initiatives reflected Beijing's early commitment to supporting Yemen's development. China's assistance also represented a gesture of appreciation toward Yemen, specifically the Yemen Arab Republic prior to Yemeni unification in 1990, which was among the first countries to recognize the People's Republic of China during the 1950s.

Historically, the relationship between the two countries reflects broader commercial and strategic interests linked to the ancient Silk Road and maritime trade routes connecting Asia with Africa and Europe. It also demonstrates Beijing's longstanding ambition to establish an economic and political presence in strategically significant regions, particularly those that play a critical role in global trade and maritime connectivity.

## Official Relations During the Yemen's War Period (2015–2026)

Yemeni–Chinese relations during the years of Yemen war (2015–2026) have generally maintained regular channels of official communication, though the relationship has experienced certain fluctuations that occasionally affected it negatively, particularly when issues intersect with China's perceived relations with the Houthi group or with Iran.

Despite the ongoing conflict, official contacts between Yemeni and Chinese officials have remained relatively consistent. China has repeatedly reaffirmed its position supporting Yemen's stability, sovereignty, and territorial integrity, while also calling on the Houthi group to halt violence and engage in political solutions. Although the volume of Chinese aid to Yemen declined in comparison to assistance provided by other actors, such as the United States and several European countries, numerous discussions between Yemeni and Chinese stakeholders have addressed potential cooperation in areas including renewable energy, infrastructure development, and possible investment in port development.

One of the most prominent high-level engagements between the two countries during the past decade took place in December 2022, when Chairman of the Yemen's Presidential Leadership Council Dr. Rashad Al-Alimi met with Chinese officials on the sidelines of the China–Arab Summit in Riyadh. The meeting represented the most significant political contact between the two sides during the war years. During the discussions, the Yemeni leadership expressed appreciation for China's official stance supporting Yemen's IRG, while China's Belt and Road Initiative (BRI) also featured prominently in the dialogue.

While China has consistently attempted throughout the conflict to emphasize its support for Yemen's IRG, unity, and stability, several evolving factors have influenced the level and trajectory of the relationship. These include Beijing's relations with the Houthis, China's stance toward Houthi attacks on maritime shipping in the Red Sea, and China's broader regional diplomacy, particularly its relations with Iran and its mediation efforts between Saudi Arabia and Iran, which became one of the most significant geopolitical developments affecting the Yemen conflict over the past five years.

In March 2023, China, Saudi Arabia, and Iran announced a tripartite agreement, widely known as the Beijing Agreement, which led to the restoration of diplomatic relations between Riyadh and Tehran, the reopening of embassies, and commitments to respect state sovereignty and reactivate the security cooperation agreement between the two countries.

Within this broader context, the following sections examine several key trajectories that have shaped Yemeni–Chinese relations, either positively or negatively, over the past decade.

## Relations with the Houthis: Contradictory Signals and Their Implications: China's Official Position

### China's Official Position

Despite periodic claims suggesting that China may provide indirect support to the Houthi group within the framework of broader strategic and commercial competition with the United States, Beijing's official stance consistently denies providing any military assistance or advanced equipment to the group. Instead, China frames its policy toward Yemen within the broader principle of supporting the IRG of Yemen.

A notable example occurred when the Houthi-controlled Ministry of Oil and Minerals in Sana'a announced the signing of a memorandum of understanding with the Chinese oil services company Anton Oilfield Services Group for potential oil exploration activities in Yemen. In response, China swiftly denied any official involvement. Zhao Zheng, Chargé d'Affaires at the Chinese Embassy to Yemen, stated that:

"The Chinese government has no connection to the reported memorandum of understanding between the Houthi militias and Anton Oil. Anton is a private company and does not possess the authority or legitimacy to sign such agreements on behalf of China. The matter is currently under verification."<sup>1</sup>

Nevertheless, some Chinese companies have continued operating in Yemen under varying conditions, including in areas under Houthi control, particularly in sectors such as telecommunications, commercial shipping, and energy services. Overall, China has maintained a balanced diplomatic line over the past decade, sustaining relations with Yemen's internationally recognized government while avoiding direct alignment with any faction in the conflict. One of the clearest indications of this position can be seen in China's support for international resolutions related to Yemen since the beginning of the crisis, most notably UN Security Council Resolution 2216, which condemned the Houthi takeover of power.

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1- Press coverage titled: "Signing of a Memorandum of Understanding for Investment in the Oil Sector," published by the Saba News Agency affiliated with the Houthi group.  
Report link: <https://www.saba.ye/ar/news/%E1E7%9C%99%E1E7%A7.htm>

However, despite this diplomatic engagement, the economic dimension of Yemeni–Chinese relations have not evolved into a tangible strategic or developmental partnership. For example, the Memorandum of Understanding related to the Belt and Road Initiative, signed between the two countries in 2019, has yet to translate into concrete projects. Similarly, the Yemeni–Chinese Joint Committee for Economic and Technical Cooperation has remained largely inactive.

Nonetheless, the trajectory of relations may witness new developments in the near future. On 9 March 2026, China announced a full customs exemption for all Yemeni products exported to China, along with a development grant of 15 million Chinese yuan to support reconstruction efforts. These announcements came following discussions between Yemen’s Minister of Planning and International Cooperation, Dr. Afrah Al-Zouba, and Zhao Zheng, Chargé d’Affaires of the Embassy of the People’s Republic of China in Yemen.<sup>2</sup>

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2- Press report on the discussions between the Ministry of Planning and International Cooperation in Yemen and the Chargé d’Affaires of the Chinese Embassy in Yemen.  
Report link: <https://www.sabanew.net/story/ar/143456>

## Involvement of Chinese Companies with the Houthi Group

With regard to U.S. sanctions targeting entities linked to the Houthis, the United States has imposed several rounds of sanctions on individuals and companies accused of facilitating support to the Houthis. These measures have included Chinese and Hong Kong-based companies, as well as shipping operators suspected of helping supply components used in the manufacture of advanced weapons systems, including unmanned aerial vehicles (UAVs) and missile technology, to Houthi forces.

These sanctions were introduced within the broader framework of the United States designating the Houthi group as a terrorist organization, meaning that any material dealings with the group could be considered a violation of U.S. law. Although the IRG continues to view China's overall position positively, arguing that the involvement of individual Chinese companies does not necessarily imply official Chinese support, these developments nonetheless highlight shared concerns between Yemen and the United States regarding the potential infiltration of global supply chains into the Yemeni conflict. Such risks could threaten the security of the Red Sea and international maritime navigation, particularly if they enable the Houthis to sustain their military capabilities.

These concerns are further amplified by the structure of the Chinese economy itself, which relies on an extensive network of private and semi-state companies engaged in international trade. This complex commercial ecosystem can sometimes make it difficult to monitor all commercial activities connected to global supply chains, especially in conflict zones characterized by weak institutional oversight, such as Yemen.

In the context of the Yemeni war, the presence of numerous commercial intermediaries and informal transportation networks in the region increases the likelihood that certain dual-use technological components, such as advanced electronics or drone parts, may move through intricate commercial channels that do not necessarily fall under direct governmental oversight.

For both the IRG and the United States, the potential leakage of such technologies represents a threat that extends beyond the local military dimension. It directly affects the security of international shipping in the Red Sea, particularly as the continued access of the Houthis to such components enhances its ability to target commercial vessels and perpetuate instability along one of the world's most critical maritime trade corridors.

From this perspective, the issue is not solely about the responsibility of individual companies but also about the broader challenge facing international actors in monitoring and regulating transnational supply chains within complex conflict environments such as Yemen.

## China's Position on the Conflict and the Red Sea

The Houthi group has repeatedly attempted to send signals to China expressing interest in establishing official relations. However, over the past years Beijing has remained cautious about engaging in any relationship that could undermine its carefully balanced diplomacy in Yemen or jeopardize its economic and strategic ties with key regional partners, particularly Saudi Arabia.

In February 2022, the Yemeni News Agency (SABA) published an extensive report reviewing Yemeni–Chinese relations during the era of Imam Yahya, the ruler of the Mutawakkilite Kingdom of Yemen, which represents a historical reference point frequently invoked by the Houthi group prior to the Yemeni revolution of 1962.<sup>3</sup> The report highlighted that the authority of Imam Yahya recognized the People's Republic of China as the third Arab country to do so in August 1956, followed by diplomatic exchanges and developmental economic cooperation between the two countries.

With the escalation of Houthis attacks on maritime navigation in the Red Sea and the Arabian Sea, which they claims are in response to the war in Gaza carried out by Israel, according to the narrative promoted by the group "Ansar Allah", China has been among the countries most affected by these disruptions, albeit indirectly.

Shipping costs from Shanghai to Rotterdam increased by nearly 80 % between 2023 and 2025, as attacks disrupted one of the most critical maritime trade routes between Asia and Europe via the Bab al-Mandab Strait. This disruption has resulted in higher shipping costs, longer maritime routes, and significant pressure on global supply chains.

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3-Article: "Yemeni–Chinese Relations during the Era of Imam Ahmad," by Zaid Al-Muhabshi, Research Center, SABA News Agency <https://www.saba.ye/ar/news3175674.htm>

China has stated in diplomatic remarks that it opposes attacks on any vessels in the Red Sea due to the region's importance for global trade routes, calling for a ceasefire and the resumption of political dialogue. Chinese officials have also emphasized that the Yemeni crisis cannot be separated from broader developments in the Middle East, implicitly referencing the war in Gaza.

However, China's position has not translated into concrete steps to deter the Houthis or to signal a willingness to defend its commercial interests in the same manner as the United States and several European countries. Beijing appears reluctant to become involved in a conflict largely managed by the United States and its allies. At the same time, China is unlikely to engage in direct confrontation with countries with which it maintains strategic relations, most notably Iran, the primary supporter of the Houthis in Yemen. Moreover, China has not been the primary target of the attacks.

It is also important to note that the damage caused by Houthi actions to Chinese interests extends beyond disruptions to maritime trade. The attacks also contributed to the halt of Yemeni crude oil exports, much of which had previously been destined for China.

The Houthi group has accused several countries, particularly China, of benefiting from Yemeni oil exports during previous years. For instance, they referred specifically to the tanker "Lofina", which arrived on 30 August 2022 at Al-Nashima Port in Shabwa Governorate from the Chinese port of Yantai to load approximately one million<sup>4</sup> barrels of Yemeni crude oil valued at about USD 98 million<sup>4</sup>, under an agreement with the IRG of Yemen.

Within this context, the Houthis have accused a number of countries, most notably China, of importing approximately 130 million barrels of Yemeni oil between 2018 and 2022, valued at around USD 9.5 billion. The Houthi group has cited these

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<sup>4</sup>News report on the arrival of a ship at Al-Nashima Port in Shabwa, published by the SABA News Agency affiliated with the Houthi group: <https://www.saba.ye/ar/news3200808.htm>

exports as part of its justification for halting Yemeni oil shipments beginning in 2022, particularly from the ports of Al-Shihr (Al-Dhabba) and Bir Ali (Al-Nashima – Rudum), as well as Nishtun and Qana ports under government control in Hadramawt and Shabwa. The group has threatened to attack vessels arriving to load crude oil from Yemeni ports and has in fact carried out several strikes.

## Chinese Investments in Yemen

China's interest in investing in Yemen, particularly in the development of Aden Port or other strategic projects, is neither new nor limited to the current period. Rather, it reflects a broader Chinese strategy aimed at expanding its economic presence across vital maritime corridors in the Red Sea and the Horn of Africa. This trend has become increasingly visible in recent years through significant Chinese investments in ports and infrastructure projects in several East, Central, and Southern African countries located along major international maritime trade routes. These regions are geographically and economically connected to the same maritime domain in which Yemen occupies a strategically significant position.

In this context, the former Chinese ambassador to Yemen, during a meeting with former Yemeni President Hadi in March 2018 at the conclusion of his diplomatic tenure, expressed China's hope that Yemen would restore peace and stability in order to move forward with economic cooperation projects linked to the Belt and Road Initiative. This statement reflects Beijing's recognition of Yemen's geopolitical and economic importance within the global maritime network and its desire to keep the door open for future investment opportunities should political and security conditions improve.

Over recent years, China has also conducted intensive diplomatic engagement with Yemeni diplomatic leadership based in Riyadh, which has effectively served as the semi-permanent headquarters of the IRG of Yemen since the outbreak of war in 2015. These efforts indicate China's intention to maintain balanced relations and ensure its presence in potential future reconstruction projects, including the revival of earlier initiatives, most notably the agreement signed with Yemen to develop Aden Port with an investment value of USD 507 million. In November 2013, Yemen signed an agreement with China aimed at developing and deepening the container terminal at Aden Port through a Chinese loan, with the objective of transforming Aden into a regional transshipment hub.

## Preliminary Understandings on a Strategic Project to Develop Aden Port

In February 2026, local media reports circulated statements attributed to the Chairman of the Aden Gulf Ports Corporation, referring to preliminary understandings between Yemen and the Chinese company China Merchants to resume transshipment activity at Aden Port after more than fifteen years of suspension. The initiative aims to modernize port infrastructure and revive transit shipping activity, reflecting a shared interest in restoring Aden's role as an important logistical hub in global trade.

However, further investigation into the reports indicates that these developments amount only to preliminary discussions with Chinese companies regarding the potential revival of transit operations. None of the proposed understandings or draft agreements have been formally presented to the Yemeni leadership levels, including the Presidential Leadership Council or the Yemeni cabinet.<sup>5</sup>

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<sup>5</sup>-Official sources spoke to the researcher about the announced understandings regarding the activation of transit activity.

Certain commercial actors appear to be pushing these understandings forward in the hope of reaching formal agreements with Chinese companies. Nevertheless, it remains unclear whether these initiatives will ultimately materialize, particularly in light of recent governmental changes within the internationally recognized Yemeni authorities.

In summary, despite the various fluctuations that Yemeni–Chinese relations have experienced over the past decade, both sides have maintained a degree of continuity in their diplomatic engagement and a shared interest in development cooperation. There remains a mutual focus on reconstruction of infrastructure and exploration of economic opportunities, grounded in a long history of bilateral relations.

At the same time, despite periodic efforts by the Houthi group to cultivate closer ties with China, the group has not succeeded in securing public political support or tangible economic concessions from Beijing.

### **Yemen–China Relations: Possible Future Scenarios**

From time to time, Yemen has expressed its desire to strengthen its relationship with China and develop a strategic partnership capable of attracting Chinese investments in sectors such as infrastructure, energy, and economic development. This aspiration has become particularly notable in light of the decline in U.S. engagement in Yemen and Washington’s broader retrenchment following the dismantling of the USAID operational presence in the country.

Nevertheless, the prospect of a comprehensive strategic partnership with China remains a distant objective, at least in the current stage. In practice, the relationship appears likely to remain within a limited framework for the foreseeable future. The continued management of the Yemeni file by the Quad Group (Saudi Arabia, the UAE, the U.S., and the UK) reduces the likelihood of China assuming a more prominent role. As a result, Beijing has instead sought to influence the regional context through diplomatic initiatives such as mediating the rapprochement between Saudi Arabia and Iran, as noted earlier.

## Within this context, several potential scenarios may shape the future trajectory of Yemeni–Chinese relations

### Scenario One: Accelerated Diplomatic and Economic Cooperation

Under this scenario, diplomatic engagement between Yemen and China would intensify, leading to advanced economic understandings, particularly in infrastructure projects such as ports, airports, and energy systems.

Several factors could support such a development, including the reduction of American engagement in Yemen following cuts to U.S. assistance, as well as Yemen's urgent need for direct investment to rebuild critical infrastructure. At the same time, China's expanding strategic interest in strengthening its presence along major international maritime trade corridors could create additional incentives for deeper engagement.

However, the realization of this scenario would depend heavily on improvements in Yemen's security and political conditions.

### Scenario Two: Intensifying International Competition in the Red Sea

This scenario assumes that the Red Sea region becomes an increasingly significant arena for geopolitical competition.

Several dynamics could contribute to this outcome, including the potential escalation of tensions between the United States and Israel on one side and Iran on the other, as well as the continuation of the U.S., China strategic and trade rivalry. Under such circumstances, the Red Sea could emerge as a new theater of geopolitical competition.

Additionally, increasing sanctions targeting Chinese entities, or Yemeni partners accused of supporting the Houthi movement, could create political and legal obstacles that hinder the development of deeper cooperation between Yemen and China.

### Scenario Three: Deferred Understandings

In this scenario, active diplomatic relations between the two countries would continue without evolving into a comprehensive strategic partnership.

Given the ongoing “no war, no peace” situation that has characterized Yemen in recent years, both countries may maintain dialogue and cooperation at a limited level while postponing large-scale economic or investment initiatives.

Under this scenario, expectations for expanded development cooperation would remain tied to the emergence of a stable peace in Yemen, which could open the door to more substantial partnerships in infrastructure, trade, and investment.

## Conclusion

Over the past five years, Yemeni–Chinese relations have been characterized by continuity and diplomatic dynamism despite the ongoing war and regional geopolitical tensions. However, these relations have not yet evolved into a genuine partnership on the ground.

Chinese development support to Yemen has remained relatively limited, with a few notable exceptions. These include China's decision to cancel USD 100 million in Yemeni debt, as well as official discussions between the foreign ministers of both countries in May 2024, which resulted in the revival of the Political Consultation Committee between the two foreign ministries and the signing of an economic and technical cooperation agreement worth 50 million yuan through the China International Development Cooperation Agency (CIDCA), although it remains unclear whether these initiatives will be fully implemented.

While cooperation in infrastructure, trade, and investments in key sectors such as energy and technology presents significant opportunities, numerous obstacles continue to prevent the emergence of strategic partnerships of this scale. Some of these challenges are internal to Yemen, including the absence of political stability, the multiplicity of local actors, and the intersection of regional and international interests. Other concerns relate to apprehensions surrounding the Chinese model of implementing strategic infrastructure projects, particularly in light of the experiences of several African countries.

Moreover, the continuation of armed conflict and the complexity of Yemen's political and security environment remain among the most significant barriers to deeper economic engagement.



The **Studies & Economic Media Center (SEMC)** is one of Yemen's leading civil society organizations. Established in 2008, SEMC has extensive experience in promoting good governance, transparency, civic participation, evidence-based advocacy, media development, and the economic and social empowerment of youth and women.

SEMC seeks to contribute to improving Yemen's economic system by making it more transparent and equitable. It works to advance the principles of transparency, good governance, and citizen participation in decision-making; support the development of a free, professional, and independent media sector; strengthen the economic and social empowerment of women and youth; and mitigate the impact of conflict on development pathways while contributing to sustainable peace.

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