

Does China's Oil Trade With Iran Give Beijing Leverage?

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Analysis

How Much Leverage Does China Really Have Over Iran?

Washington wants Beijing to rein in Tehran, but experts say it's not that simple.

By **Christina Lu**, a reporter at *Foreign Policy*.

Newspapers in Tehran feature news about the China-brokered deal between Iran and Saudi Arabia to restore ties.

Newspapers in Tehran feature news about the China-brokered deal between Iran and Saudi Arabia to restore ties on March 11, 2023. Atta Kenare/AFP via Getty Images

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Even before Iran launched hundreds of drones and missiles against Israel last weekend, U.S. officials had been urging China—a top Iranian trade partner—to use its influence to convince Tehran to curb its and its proxies' provocative actions across the Middle East.

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Saturday's retaliatory attack, which marked Iran's first-ever direct strike on Israel, has only intensified U.S. scrutiny of Beijing's potential leverage in the Middle East. China has long been Iran's biggest trade partner, and top U.S. officials, including President Joe Biden, have publicly pressed Beijing to help rein in Tehran, particularly as months of attacks by Iran-backed Houthi rebels in the Red Sea have disrupted global shipping.

"China represents about a third of all Iranian trade, and China's an important protector of Iranian interests in the [U.N.] Security Council," said Jon Alterman, the director of the Middle East program at the Center for Strategic and International Studies. "It seems to me that China is the single country with the greatest ability to influence Iran, if it wants to be."

As tensions between Israel and Iran have continued to escalate, U.S. lawmakers are further ramping up the pressure. In the latest move, the U.S. House of Representatives

on Monday overwhelmingly passed the Iran-China Energy Sanctions Act, which is designed to target Chinese firms that purchase Iranian crude oil and thereby pump money into the Iranian economy. The bill will now move to the Senate.

“As we speak, Iran is using its oil trade with China to bring in a staggering \$150 million dollars per day in revenue,” U.S. Rep. Josh Gottheimer said Monday. “By importing millions of barrels of oil a day, China keeps the Iranian regime in business and provides crucial funds for Tehran’s chaos agenda, including missile and nuclear weapons development.”

But although the United States is increasingly looking to China to sway Iran, some experts warn it’s not quite so simple as all that.

Few countries have as significant economic ties with Tehran as Beijing does. China has for more than a decade been Iran’s biggest trade partner, a long-standing relationship that has largely revolved around the oil trade. Between 2020 and 2023, Chinese firms more than tripled their imports of Iranian oil, sending sales soaring to a 10-year high. But their economic relationship is also one of uneven influence. Last year, for example, more than 90 percent of Iranian crude exports went to China. Yet China has many other suppliers beyond Iran, with Tehran’s supply accounting for just 10 percent of total Chinese imports.

“As Iran’s biggest trade partner and great-power patron, Beijing enjoys privileged channels of communication with Tehran and undoubtedly has more influence over the country than the United States or its allies,” Patricia Kim, a fellow at the Brookings Institution, told *Foreign Policy* via email. But, she added, “it’s hard to tell just how much Beijing would be able to rein in Tehran if China’s leaders decided to take a more interventionist approach.”

While China has some leverage in terms of oil sales and trade, that leverage is both politically and logistically challenging to use, said William Figueroa, an expert on China-Iran relations at the University of Groningen in the Netherlands. For example, private Chinese refineries operating on the black market illegally purchase much of the Iranian oil, not state refineries. Those private refineries are “notoriously difficult to regulate,” he said, making it challenging for Beijing to directly control Chinese imports of Iranian oil. The scale of Chinese investment in Iran, driven mostly by private firms, also remains a sore point in relations between the two countries. China has “chronically underinvested” in Iran, Figueroa said, which has sparked complaints from Tehran and “affects their desire to acquiesce to Chinese pressure.”

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"In short, what can China do? There are few investments to threaten to cancel, and they have not followed through with previous commitments," he said. "So there are few carrots and few sticks."

Iran has previously showcased its willingness to test its biggest customer. Last December, for example, Iran limited oil shipments and hiked up its prices to Chinese buyers, clobbering oil sales and "showing that the economic relationship does have its limits," said Eric Olander, the editor in chief of the China-Global South Project, a nonprofit organization focused on China's relations with Africa and the global south.

"There is a thinking in Washington that because you've got economic power, that translates into political power," Olander said. "That is not the case with the Iranians. The Iranians have been battle-tested for decades under sanctions. They are not going to subjugate their national security and their political considerations to the Chinese for economic considerations."

Meanwhile, China shows no sign of acquiescing to Washington's pressures. Beijing has been careful to stay mostly on the sidelines of the Israel-Hamas war, leveraging the conflict to align itself with countries in the global south. And when Beijing has spoken up, such as when it urged Iran to curb the Houthi attacks in the Red Sea, it has focused solely on mitigating harm to China's own interests.

Washington and Beijing also have very different views of the broader conflict in the Middle East. In the wake of Iran's weekend attack against Israel, Beijing appeared to back Tehran's actions and said it was ready to "steadily advance practical cooperation." "China strongly condemns and opposes the attack on Iran's embassy in Syria and [believes] that the attack is a serious and unacceptable violation of international law," said Chinese

foreign ministry spokesperson Lin Jian, who described the Iranian response as an “act of self-defense.”

“China appreciated Iran’s emphasis on not targeting regional and neighboring countries and its reiteration of its continuing commitment to a good-neighborly and friendly policy,” he added.

“For China, bombing the embassy of another sovereign nation is unacceptable,” said Yun Sun, the director of the China program at the Stimson Center. “So before the international community talks about how to stop Iran, I think the Chinese counter-question is: ‘Well, how to stop Israel?’”

In sum, Beijing has little interest in stepping in and being seen as bowing to U.S. pressure.

“The logic of it all, that we’re asking the Chinese to use their influence to rein in or curtail the Iranians, doesn’t make sense on its face. It’s bad politics for the Chinese,” Olander said. Chinese President Xi Jinping “could never be seen taking orders from the United States, particularly with Iran. The optics of that make no sense.”

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