

Here Is How China-US Trade War Impacts Iran

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In the last week of August, China added crude oil imports from the US to its tariff list for the first time in a retaliatory decision against the US decision to impose fresh tariffs on Chinese products. China imports about 6 per cent of its crude oil from the US. For an economy that increasingly relies on crude oil imports, this decision carries a lot of significance. While China is also preparing to impose high tariffs on import of US cars and the trade-war is likely to continue in the days to come, the all-important question is: why would China impose tariffs on import of oil, the life-line of its economy? According to some latest figures, China's reliance on imported crude oil has already jumped to 70 per cent and gas moving towards 50 per cent. Most certainly, China would never have taken such a decision unless its leadership had first secured an alternative source of supply of oil. Here is where Iran and cheap/tariff free Iranian oil comes into play and the larger geo-political chessboard becomes active, allowing China to counter the US on three levels.

First, in terms of trade war, Chinese tariffs on oil imports from the US will undermine the US position as the world's 'new champion oil producer.' Second, in terms of regional geopolitics, import of oil from Iran will boost Iran's economy in the face of US sanctions and help Iranian economy keep afloat. Needless to say, Iran is a key territorial link for China's Belt and Road Initiative to expand beyond Asia. Third, if the US and China fail to reach a compromise on trade disputes and their bi-lateral economic and political relations remain cold, China's continuous reliance on US oil would become a big disadvantage. Therefore, by ridding itself of the US oil, China is preparing for a long-term war with the US, or at least doesn't see the current dispute resolving any time sooner; hence, the move towards diversification through defiance.

Although China has recently decided to increase its domestic production of gas in Sichuan province, increasing from roughly 20 per cent at present to about 33 per cent of the country's needs, this isn't going to be enough for a huge economy that China is; hence, China's increasing investment in Iran's huge and sanctioned energy sector.

According to reports, China is set to invest about 280 billion dollars in Iran's oil, gas and petrochemical sectors. This investment will in turn allow China to buy energy products from Iran at discounted prices, certainly a lot cheaper than the US oil. Although there will be a risk of the US sanctioning Chinese companies involved in buying Iranian oil, China is ready to tackle this. Entering the deal with Iran, China announced that it is not intimidated by the 'secondary sanctions' the US has threatened to impose on companies and countries which continue to have economic ties with Iran.

China's decision has massive geo-political ramifications. China can expand and use the Turkmenistan-China gas pipeline to import oil and gas from Iran and can even built new

pipelines, allowing it to not only conveniently meet its energy needs but also massively reduce its reliance on a number of US-friendly oil and gas suppliers from the Middle East i.e., UAE and Saudi Arabia.

China, accordingly, is also investing about 120 billion dollars in Iran's transport and manufacturing infrastructure. Significantly enough, this Chinese-built infrastructure in Iran, which includes high-speed rail on several routes, will provide China with additional avenues for its overland trade through Iran and Turkey to and from Europe and maritime trade through Iranian ports to the Middle East, Africa and beyond. Interestingly enough, one of the ports that China is eyeing is the Indian built port of Chabahar. Due to India's full compliance with the US directive to bring oil imports from Iran to zero, Iran's relations with India have gone down massively, allowing China to move in and grab the space.

China's investment also comes with Chinese troops on the ground in Iran. Sending a clear message to the US, about 5,000 Chinese security personnel will be placed in Iran to protect Chinese projects from possible sabotage attempts by the rivals countries through their sponsored non-state actors, or even directly. Importantly enough, this security presence in Iran will be as big as the US has in today's Iraq or what the Pentagon aims to leave in Afghanistan in 2020. Also, it intends to deter any US adventurism (visible in Iraq and Afghanistan), inasmuch as any major US military strike on or action against Iran would risk hitting Chinese army personnel and spiking tensions with a nuclear power that has the ability to hit the US both militarily and economically; hence, the increasing emphasis on materialising a true strategic partnership between Iran and China. A binding force will, of course, be US sanctions on Iran and its trade war with China.

Emphasising the same point, Iran's foreign minister wrote in an [Op-Ed](#) for Global Times and said,

“China has become an indispensable economic partner of Iran and the two countries are strategic partners on many fronts...” and that both China and Iran “ favor multilateralism in global affairs but that has come under attack now more than ever.”

Hitting the US directly, Zarif noted,

“China and Iran support fair and balanced commercial ties around the world and we both face overseas [US] hostility by populist unilateralist bigotry.”

A deep Chinese presence in Iran and a willingness to defy the US is a big boost to the countries, including Russia, Turkey, Syria, and Pakistan, which are trying to build an 'Asian order' around Chinese Belt and Road Initiative and other regional connectivity programs i.e., Eurasian Economic Union and even the SCO. As the saying goes, for a new order to emerge, the old must dismantle. Chinese defiance signifies a major step towards the new order.

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