

Israel–Iran Conflict May Jeopardize China’s \$400 Billion Deal With Iran

The cheap crude oil flow from Iran to China might be cut off as the conflict persists.



Smoke rises after a reported Israeli strike on a building used by Islamic Republic of Iran News Network, part of Iran's state TV broadcaster, in Tehran, Iran, on June 16, 2025. Over recent days, Iran has been hit by a series of Israeli airstrikes targeting military and nuclear sites, as well as top military officials, prompting Iran to launch a counterattack. Photo by Stringer/Getty Images

Alex Wu

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As the Israel–Iran conflict intensifies, China’s reliance on cheap oil from Iran and its \$400 billion deal with the Islamic regime may be in jeopardy.

If the Iranian regime is toppled, analysts say, the Chinese communist regime will not only face an economic blow, but its expansionist global strategy that involves using the Middle East as a frontier to contain the West also will be thwarted.

Currently, more than 90 percent of Iran's oil exports flow to China, the world's largest oil importer, according to Kpler, an international trade data provider.

Iran's crude oil exports have been sanctioned by the international community because of concerns about Iran's developing nuclear weapons. Nevertheless, many small refineries in China have been buying illicit Iranian oil at a cheaper price than the standard market price.

Because of the sanctions, Iran has almost no other buyers apart from China, so it is at a disadvantage in pricing. In 2024, a senior official from the Iran Chamber of Commerce called the China–Iran trade relationship a “19th-century colonial trap,” saying that China also “dictates how payments are made.”

Iran's crude oil is paid for in Chinese renminbi instead of U.S. dollars, leaving Iran with the need to purchase large quantities of Chinese goods, which further exacerbates its economic dependence on China.

Israel has bombed some Iranian oil facilities in recent days but hasn't cut off its oil exports. If that happens, China's many small refineries will need to buy oil elsewhere at market prices for the first time in years.

The Israel–Iran conflict could potentially have a huge impact on China's oil supply, Zheng Qinmo, director of the Department of Diplomacy and International Relations at Tamkang University in Taiwan, told The Epoch Times on June 18.

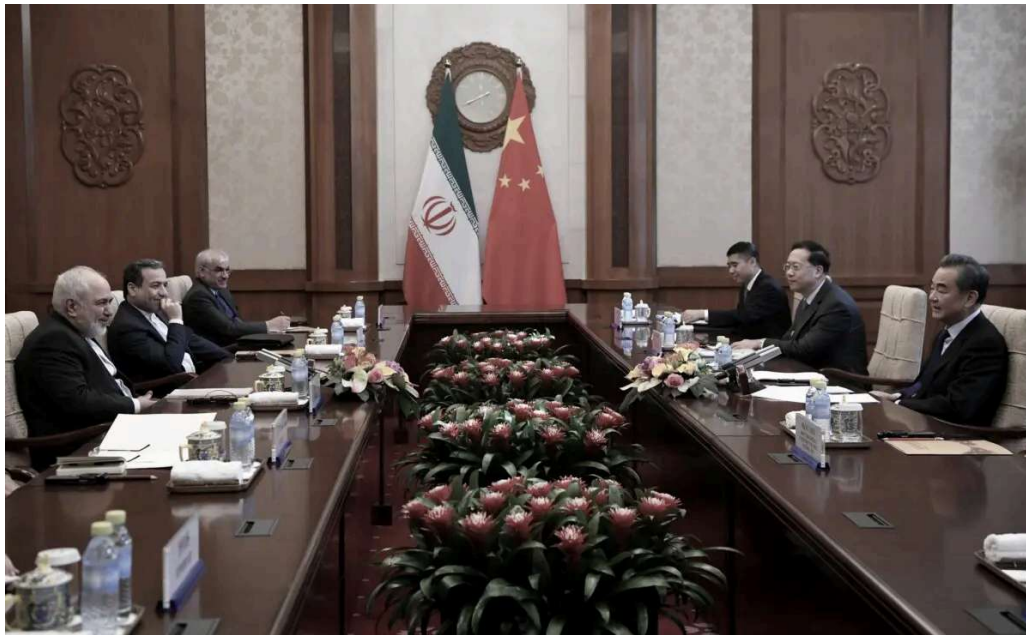
“China has a large investment in Iran, and Iran owes China a lot of money,” Zheng said. “Half of Iran's oil is exported to China to repay debts, and the other half is sold at a very low price.”

“So Iran has become a country that the [Chinese Communist Party (CCP)] can control in the Middle East.”

Su Tzu-yun, a researcher and director of the Division of Defense Strategy and Resources at Taiwan's Institute for National Defense and Security Research, told The Epoch Times on June 18 that the Chinese regime has long controlled Iran, mainly through trade.

“Iran exports energy to China, and the Chinese regime has market access and invests in some infrastructure projects in Iran,” Su said. “China also sells Iran weapons and equipment to strengthen the diplomatic cooperation between Beijing and Tehran.”

“This cooperation seemed unbreakable, but now the situation has changed due to the outbreak of war.”



Iranian Foreign Minister Mohammad Javad Zarif (L) talks to Chinese Foreign Minister Wang Yi (R) during their meeting at the Diaoyutai State Guest House in Beijing on Dec. 31, 2019. Noel Celis / POOL/AFP via Getty Images

As the Israel–Iran conflict intensifies, top Iranian military and intelligence officials have been killed by Israel, and U.S. President Donald Trump has called for the Iranian regime’s leader to surrender.

If the Iranian regime collapses, the Chinese communist regime’s 25-year, \$400 billion deal with Iran will collapse as well, and China’s investment will be lost.

China–Iran BRI Agreement in Jeopardy

In 2021, China and Iran signed a 25-year cooperation agreement to strengthen economic and political ties. The agreement covers various areas including finance, infrastructure construction, health care, and defense. According to the plan, China would invest \$400 billion in Iran within 25 years and establish a free trade zone with Iran; Iran would continue to supply oil to China at a relatively low price and allow China to further participate in Iran’s banking, telecommunications, and other projects. The agreement is based on China’s Belt and Road Initiative (BRI)—the Chinese regime’s global foreign policy project to extend its political influence through investment in high-cost infrastructure projects in countries from East Asia to Europe.

Zheng said the Chinese regime’s 2021 cooperation agreement with Iran aimed to “use Iran as a base for expansion in the Middle East and turn it into a frontier for China’s ruling Communist Party to contain the West.”



Smoke rises following what Iran said was an Israeli attack on the Sharan oil depot in Tehran, Iran, on June 16, 2025. (Majid Asgaripour/WANA (West Asia News Agency) via Reuters)

It is now a question of whether the Iranian regime will survive, Zheng said.

“The infrastructure investment that China had already made in Iran may have been lost,” he said.

Su said the \$400 billion deal is just on paper, “which is actually a [form of] barter.”

“If the Iranian regime collapses this time, the \$400 billion contract will become a piece of waste paper,” he said.

The Syrian regime of Bashar al-Assad, which the CCP and Russia had supported in the Middle East, has already fallen, and the current Iranian regime is being threatened.

With the support of the CCP, Iran-backed Hezbollah, Hamas, and the Houthis ran rampant in the Middle East, Zheng said.

“Now the situation has changed. It will be very difficult for the CCP to expand [its influence] in the Middle East in the future. At present, the United States is dominating the situation in the entire Middle East,” he said.

Su said Iran has suffered a heavy blow this time and that the influence of the CCP in the Middle East will diminish.

“After the Trump administration and Israel completely eradicate the influence of China and Russia in the Middle East, the United States could turn around and deal with the threat of the CCP in the Indo-Pacific,” Su said. “The grand

strategy of the United States is very clear, which is to concentrate its forces to deal with the CCP.”

Ning Haizhong and Luo Ya contributed to this report.

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