

# China Courts Iran to Sell Goods, Diversify Oil Sources

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## ABOUT THE AUTHORS



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Simon Henderson is the Baker fellow and director of the Bernstein Program on Gulf and Energy Policy at The Washington Institute, specializing in energy matters and the conservative Arab states of the Persian Gulf.



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**The Washington Institute's Simon Henderson and Cipher Brief's Bennett Seftel met to discuss key areas of Saudi-China cooperation, the ways in which increased bilateral relations affect China's role in the Middle East, and ties between China and Iran.**

**C**ipher Brief: In what sectors are Saudi-China economic cooperation most prominent? Where are they developing?

**Simon Henderson:** Saudi Arabia is the world's largest oil exporter and China is the world's second largest economy after the United States. Additionally, China's largest supplier of oil is Saudi Arabia. It therefore makes complete economic sense for the two countries to expand and deepen their relationship. In jargon terms, the two countries are working on the value chain -- developing refineries and petrochemical industries to convert crude oil into more valuable products. But agreements being signed suggest a wider economic agenda, including renewable energy and even space exploration.

Military cooperation has been a relatively small but important part of the relationship ever since Beijing supplied missiles capable of reaching Tehran from the kingdom in the late 1980s. One recent agreement was for the delivery of Chinese-made military drones, capable of both reconnaissance and ground attack.

Although many in the U.S. and other western countries view the oil exports of Saudi Arabia and other Gulf countries as being crucial for energy security, most oil from the Persian Gulf, exiting through the strategic Strait of Hormuz, goes towards Asia. Japan, South Korea, and India, along with China, are important markets. The significance of Gulf exports is that any disruption will impact on price, and because crude oil is an easily transportable product, the effect would be worldwide.

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