

## Our View

### China: Keeping Crude Prices Stable to Maintain Exports

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**At a press conference near the end of his state visit to the United Kingdom, President Trump stated, “If the oil price comes down, very simply, Russia will settle” [the war in Ukraine].<sup>1</sup> China is making sure oil prices do not come down. Its leaders have realized that keeping prices at current levels will help increase its exports to oil-exporting nations, including Russia. This is China’s stealth weapon in its trade war with the United States. Chinese exports have risen in 2025 from 2024 despite extremely aggressive US trade measures against the country. By boosting its crude inventories to double those of any other nation, China is supporting oil prices, which supports its domestic producers and its trade with other countries. China, in short, is “trumping” the US president’s efforts to bring oil prices down.**

China has been operating as the oil market’s buffer stock manager, buying larger volumes when prices fall and less when prices rise. We wondered why the country was doing this because its crude inventories, measured as days of supply, were already almost double those outside of China.

An examination of export data for the nation provided a clear answer. China is offsetting the high US tariffs on its exports by boosting what it sells to other countries. Oil prices between \$70 and \$80 per barrel suit China’s needs because it is replacing its exports to the United States with exports to oil-exporting nations, especially Russia.

Wakabayashi and Bradsher noted this response to US tariffs in a *New York Times* article, writing first that “the trade impasse with the United States has exacted a price [from China] — mainly from a sharp drop-off in exports to America.”<sup>2</sup>

They then offered these observations:

China’s exports to the United States are down about 15 percent so far this year. But that has not slowed its export machine.

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<sup>1</sup> James Politi and David Sheppard, “Trump and Starmer at Chequers as it happened: leaders present united front after lavish state visit,” *Financial Times*, September 18, 2025 [<https://tinyurl.com/m7c7sds6>].

<sup>2</sup> Daisuke Wakabayashi and Keith Bradsher, “How China Is Weathering the Trade War with Trump,” *The New York Times*, September 16, 2025 [<https://tinyurl.com/mrvwfuc9>].

The country's trade surplus with the world came within a whisker of \$1 trillion last year, as its exports exceeded its imports on a scale seldom seen except around the time of the two world wars. Despite U.S. tariffs, this year's surplus for China is on track to be even bigger.

The oil-exporting nations are critical to China maintaining its export volumes. The figure here compares Chinese exports to a group of exporting nations to the Dubai crude price. It shows two calculations. The first uses export data from the US COMTRADE database published by Trading Economics. In these data, we noted an exceptionally substantial increase in Chinese exports to Russia in 2023 and 2024. In these two years, exports jumped from \$76 billion to \$111 and \$115 billion, no doubt due to Russia buying more arms. Thus, the figure also shows a level of exports that assumes sales to Russia remained at pre-2023 levels.

Our results are consistent with research published by Howard Shatz at Rand, who wrote the following:

Chinese goods exports to the Middle East have grown in recent years, generally more rapidly than overall Chinese exports. In contrast, while China usually runs a goods trade deficit with the Middle East and relies on the Middle East more for imports than as an export market, China's imports from the region are more volatile. In both cases, despite the efforts of the region to diversify, **these trade patterns depend on oil prices and are likely to do so over the medium term** [emphasis added].<sup>3</sup>



Carnegie China senior research analyst Nathaniel Sher provided additional detail on Chinese exports to Russia:

Since Russia's full-scale invasion of Ukraine in February 2022, Chinese exports to Russia have risen by more than 60 percent. Many analysts suggest that trade with China is providing nothing short of a lifeline to Russia's economy. In the process, China has emerged as the largest supplier of not only commercial goods, but increasingly of dual-use components covered by Western export controls.<sup>4</sup>

<sup>3</sup> Howard J. Shatz, "Middle East – China Trade Prospects Remain Robust Despite Red Sea Crisis," Rand, February 9, 2024 [<https://tinyurl.com/wsv74vuk>].

<sup>4</sup> Nathaniel Sher, "Behind the Scenes: China's Increasing Role in Russia's Defense Industry," *Carnegie Politika*, May 6, 2024 [<https://tinyurl.com/mamzprxz>].

Both Russia and Middle Eastern oil-exporting countries need prices between \$70 and \$80 per barrel to continue buying from China at current rates. Thus, it should come as no surprise that China keeps working to keep oil prices where they are now.