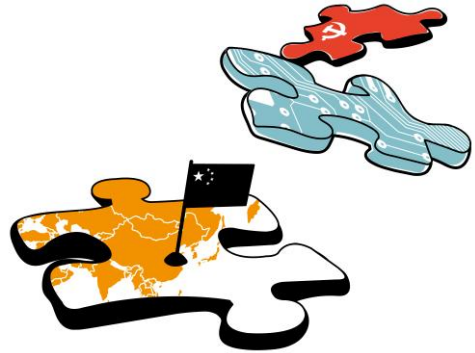


MAY 7, 2026

MERICS China Essentials



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TOP STORY

China resumes fuel exports as national supply worries ebb - and regional ones rise

China is moving to prevent the worst for Asian economies by resuming exports of jet and motor fuels to some regional countries in May. Having suspended shipments from refineries shortly after the US and Israel attacked Iran at the end of February, China will allow 500,000 metric tons of fuel to be exported this month. This is still much lower than its pre-war average of more than double that amount, but a sign that Beijing's persistent caution about its own energy supply is ebbing – and that its worries about compounding pressure on regional supply chains and markets are increasing. China is a major importer of oil and gas, but a major exporter of fuel, with its many refineries providing gasoline, diesel, and jet fuel to countries from nearby Vietnam to far away Australia.

Asian economies were deeply disrupted by the energy shock triggered by the closure of the Strait of Hormuz, a critical global energy artery between Iran and Oman, and were hit again when Beijing stopped shipments of its refined petroleum products. China's partial reversal should help ease the fuel crunch in the region and serve as a diplomatic win for Beijing. The move could increase China's diplomatic influence in Asia – and potentially beyond – as it will allow Beijing to present itself once again as a more responsible power than the US. It offers a critical lifeline to regional economies, whose strength is of interest to Beijing, not least because China is integrated into regional value chains and markets.

Lastly, the move underlines the extent of many Asian countries' dependence on China for refinery products, making them more reluctant to risk Beijing's displeasure. Even the Philippines has restarted talks with China on joint oil and gas exploration – in disputed waters that have for many years been a point of contention. At the same time, such pressures are likely to prompt governments to reassess their supply chains for refined petroleum products, including through the diversification of imports and increased investments in domestic refining. Concerns in Beijing about being seen as having too much power over fuel supply may also have played a role in resuming fuel exports.

“ Beijing is still restricting fuel exports to Asia, but by allowing the resumption of some shipments, it is helping to keep afloat regional economies with which China is closely interdependent and gaining more influence in the region. Desperate Asian governments will now take all the fuel they can secure from China, but this crisis will increase the pressure on them to strengthen national economic and energy resilience via diversification and/or the onshoring of refining capacity.”

Jacob Gunter, Head of Program Economy and Industry, MERICS

Media coverage and sources:

- OilPrice.com: [China Flips the Switch on Fuel Exports as Asia Runs Short](#)
- Reuters: [China's May Fuel Exports to Rise over April, but Curbs Remain](#)
- The Business Times: [China Allows State Refiners to Export some Fuels to Asian Buyers](#)

METRIX

181

This is the number of new car models that made their global debut at the biennial Beijing Auto Show from April into May, one-and-a-half times the 117 new models reported by the Chinese Communist Party's Global Times for the 2024 event. The increase points to the short product cycles and intense innovation pace that have become the norm for Chinese car makers. It also raises the question whether big investments in China will be enough for European carmakers to catch up – or whether foreign manufacturers will continue to lose market share in the world's largest car market. (Source: [Global Times](#))

TOPICS

Beijing “blocks” US Iran oil sanctions, shrugging off possible summit tensions

Beijing is signaling its willingness to escalate tensions with the US – even ahead of the upcoming Trump-Xi summit – to demonstrate it will not bend to US pressure when it comes to protecting its energy security and national interests. China has invoked its powers to counter foreign sanctions, expanded barely two weeks ago, and has used its 2021 Blocking Rules (not to be confused with the April 2026 measures on improper extraterritorial jurisdiction) for the first time. China's Ministry of Commerce issued an order banning companies from complying with US sanctions on five Chinese independent refiners over purchases of Iranian oil. It said Washington was “violating international law” and the “basic norms of international relations” by targeting Chinese refiners and intermediaries in an attempt to reduce Iranian state revenues through oil sales.

The move came shortly before Washington called on China to use its partnership and oil-trading links with Iran to push for a reopening of the Strait of Hormuz – a role Beijing has consistently declined by noting that the way to reopen this key artery is to achieve a ceasefire and end hostilities, passing responsibility on to Washington. Large strategic reserves and diversified sources mean China is better prepared than many other nations for the current oil shock, but not immune. Beyond the geopolitical signaling, China's blocking order shows how important its so-called teapot refineries currently are to energy security and petrochemical supply chains in China. These small, privately-owned facilities often import discounted oil from sanctioned countries, like Iran, Russia, and formerly Venezuela, and account for about a quarter of China's refining capacity.

“Beijing is once again showing the world that even potential geopolitical or economic costs will not deter it from putting its national interests and grand strategic ambitions first. China's teapot refiners ensure a steady flow of cut-price oil, and

Beijing is willing to risk confrontation with the US to maintain this – and to show it will stand firm against any assertion of Washington’s long-arm jurisdiction.”

Helena Legarda, Head of Program Foreign Relations, MERICS

Media coverage and sources:

- US Department of State: [U.S. Sanctions Tighten Grip on Iran-China Oil Trade](#)
- Chinese MOFCOM (CN): [商务部公告 2026 年第 21 号 公布关于美国对 5 家中国企业实施涉伊朗石油制裁措施的阻断禁令](#) (Announcement on the Issuance of a Blocking Order Against U.S. Sanctions Measures Imposed on Five Chinese Enterprises in Relation to Iranian Oil)
- Global Times: [MOFCOM issues a ban, requesting not to recognize, enforce, and comply with US sanctions against 5 Chinese firms](#)
- Al Jazeera: [How China’s ‘teapot’ refineries are cushioning it from Iran war oil crisis](#)

Beijing introduces binding quotas for local cadres to shift from growth to green

Beijing has taken a potentially important step toward shifting local officials’ traditional fixation on economic growth by tying their career prospects directly to binding emissions targets. The new framework integrates greenhouse-gas emissions and fossil-fuel consumption goals into the cadre evaluation system and links promotions to the achievement of 14 green key performance indicators. Official appraisals are one of the most important tools for aligning central policy and local implementation. But their power to meaningfully – and not just formally – shift incentives away from “growth at all costs” will only become clear when the relevant ministries publish detailed targets.

The new “Measures for the Comprehensive Evaluation and Assessment of Carbon Peaking and Carbon Neutrality” signal China’s institutionalization of climate governance. Although indicators such as pollution control had previously been part of the evaluation system, hard economic indicators were generally treated as more relevant to career advancement. Now, emission-control targets, including measures related to energy conservation and low-carbon urban and rural development, will become binding and tied more tightly to career prospects. Officials whose provinces fail to reach the new standards will have 30 days to submit a written report specifying remedial measures, and failure to address problems on time could trigger disciplinary action by Beijing.

“*The integration of binding emission quotas into the local cadre evaluation system is meant to show that China is serious about reaching peak emissions by 2030 by incentivizing local officials to implement national climate policy. But the actual degree of ambition remains unclear. Only when the relevant ministries publish detailed targets will it become apparent whether this is a symbolic policy or a genuine, hands-on transformation of the system.*”

Johanna Krebs, Analyst, MERICS

Media coverage and sources:

- Carbon Brief: [China Briefing 30 April 2026: Fossil fuel 'strict controls' | El Niño approaches | Why cleantech exports have surged](#)
- Carbon Brief: [Q&A: China's leadership calls for 'strict control' of fossil fuels](#)
- pv magazine International: [China tightens carbon accountability framework, strengthening structural push for renewables](#)
- Chinese government website: [China issues assessment measures for carbon peak, neutrality goals](#)
- Chinese MEE (CN): [中共中央办公厅 国务院办公厅印发《碳达峰碳中和综合评价考核办法》](#) (Measures for Comprehensive Evaluation and Assessment of Carbon Peaking and Carbon Neutrality)

Court ruling shows the challenges of AI job losses for Beijing

A recent court ruling in Zhejiang found it unlawful to dismiss an employee, after AI replaced his role. This and several similar court cases are a sign of the issues China faces in pursuing AI and automation to upgrade its industries, including massive investment in industrial and service robotics. China will undoubtedly see large-scale job losses, exacerbating its already dire employment problems, and will have to find ways to balance AI efficiency gains and business investment with keeping social unrest at bay. Recent policy documents, including the Five-Year Plan, show the government is sensitive to this incoming challenge – even if concrete solutions are not yet at hand.

Both the Five-Year Plan and the AI+ initiative to integrate AI into key sectors of the economy include language on employment risk assessments. One part of the solution is requiring businesses to share the burden – by supporting employee retraining to work with AI, for example, but also by prohibiting companies from using mass layoffs as a cost-cutting measure to compensate for AI expenditures, as many Western firms are now doing. The tradeoff here would be that businesses may become less willing to invest in AI, which runs counter to Beijing's goals for AI development. It is not yet clear whether Beijing is willing to make that tradeoff, despite the early court rulings.

“China's early moves in dealing with technology-driven employment challenges show that it is aware of the changes AI will bring, and likely to demand more from its businesses in shouldering the responsibility. With its aggressive investment in AI solutions and a massive labor force already facing unemployment issues, it will have little choice but to be an early example in tackling AI-driven job loss.

Wendy Chang, Senior Analyst, MERICS

More on the topic: [Embodied AI: China's ambitious path to transform its robotics industry](#) – MERICS Report

Medienberichte und Quellen:

- Xinhua (CN): [Authorized Release: Opinions of the General Office of the CPC Central Committee and the General Office of the State Council on Strengthening the Service and Management of New Employment Groups](#)
- Zhejiang Xinhua (CN): [Can "AI Substitute Work" Be Used as Grounds for Dismissal? — This is How the Hangzhou Intermediate People's Court Ruled](#)

MERICs CHINA DIGEST

[Xi urges China to boost basic research and innovation capacity](#) (Reuters)

Xi Jinping called for greater efforts to strengthen basic research and raise China's original innovation capacity, state media reported, as the global race to dominate frontier technologies such as AI intensifies. He urged the country to improve top-level design for basic research, build talent, raise the share of funding devoted to the field and deepen international cooperation, including on climate change, energy, the environment, and health. (26/04/30)

[China penalizes 56 provincial, ministerial-level officials in Q1 anti-graft drive](#) (People's Daily)

A total of 56 Chinese officials at the provincial and ministerial level received penalties in the first quarter (Q1) of 2026 in the country's anti-corruption fight. They were among a total of 183,000 people penalized nationwide in the first quarter of the year, according to a report released by the Central Commission for Discipline Inspection of the Communist Party of China and the National Commission of Supervision. From January to March, discipline inspection and supervision agencies across the country filed 245,000 cases. (26/04/23)

[Top financial regulator gets demoted](#) (Trivium China)

China's top financial regulator, Li Yunze, has been demoted on grounds of suspected disciplinary violation. The 55-year-old oversaw thousands of financial firms including banks, insurers and trust firms in the country's \$79 trillion financial sector as the head of the National Financial Regulatory Administration (NFRA). Allegedly, Li will now take up a mid-level position at the financial regulator. The news on Li comes a week after state news agency Xinhua reported that Zhou Liang had been removed as NFRA deputy head. Zhou had been under investigation over a suspected violation of law and discipline. (26/04/29)

[Pfizer GLP-1 weight loss drug available for pre-order in China](#) (Reuters)

Pfizer's GLP-1 weight management treatment Xianweiying is now available for pre-order in China, ramping up competition with rivals in a market estimated to be worth billions of dollars. A 1.2 ml Xianweiying injector pen with shipping beginning on April 27 costs 489 yuan (\$72), according to one listing on a platform from JD.com reviewed by Reuters. (26/04/22)

[China's youth jobless rate rises to 16.9% in March](#) (Reuters)

The jobless rate in China for people under 30 in urban areas, excluding college students, rose in March. In the youngest segment surveyed, those aged 16 to 24, the jobless rate rose to 16.9% from 16.1% a month earlier, reversing a downward trend that started in September last year. Among 25- to 29-year-olds, excluding students, the unemployment rate climbed to 7.7% from 7.2% in February. (26/04/21)

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