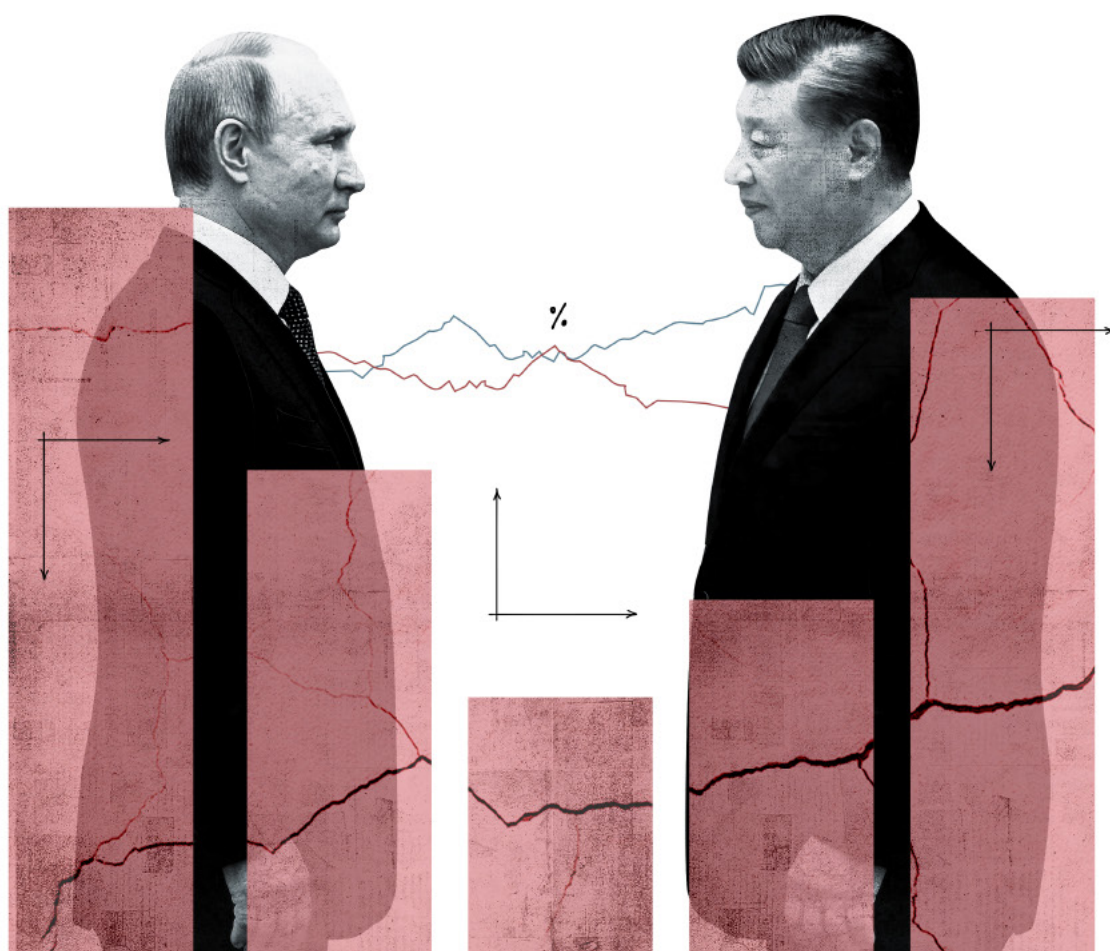


Vladimir Milov

SINO-RUSSIAN ECONOMIC RELATIONS

Dispelling the "No Limits"
Partnership Myth



Wilfried
Martens Centre
for European Studies

November 2025



Credits

The Wilfried Martens Centre for European Studies is the political foundation and think tank of the European People's Party (EPP), dedicated to the promotion of Christian Democrat, conservative and like-minded political values.

Wilfried Martens Centre for European Studies
Rue du Commerce 20
Brussels, BE 1000

For more information please visit: www.martenscentre.eu

Typesetting, Layout and Cover:
Gëzim Lezha, Brand and Visual Communications Officer, Martens Centre

Printed in Belgium by ABIJ bv

This publication receives funding from the European Parliament.

© 2025 Wilfried Martens Centre for European Studies

The European Parliament and the Wilfried Martens Centre for European Studies assume no responsibility for facts or opinions expressed in this publication or their subsequent use. Sole responsibility lies with the author of this publication.



SINO-RUSSIAN ECONOMIC RELATIONS

Dispelling the "No Limits"
Partnership Myth

Vladimir Milov



About the author

Vladimir Milov is a Russian statesman, politician, and economist. He worked in the Russian government from 1997 to 2002 and was engaged in major reforms (in his capacity as deputy energy minister in 2002, he was the author of the concept of unbundling Gazprom), before leaving the government in late 2002 to become a vocal critic of Putin's reversal of democratic and market reforms. Since 2008, Mr Milov has published a series of comprehensive joint reports with the late Boris Nemtsov, critically assessing Putin's political and economic legacy. These include *Putin: The Results* and *Putin and Gazprom*. In 2017-2024, Mr Milov worked as economic and international affairs advisor to the late Russian opposition leader Alexey Navalny and continues to collaborate with Navalny's team. Mr Milov is also Vice President of the Washington-based Free Russia Foundation, and a Research Associate at the Wilfried Martens Centre for European Studies.



Table of contents

Introduction	6
Sino-Russian trade falling from its peak	7
Growing trade barriers between Russia and China	9
Russia wants Chinese money - but it's not coming	12
Joint projects: lack of real progress	14
Clear limits to military cooperation	18
Why isn't China interested in expanding cooperation with Russia further?	19
Conclusions and policy recommendations	21



Introduction

For Vladimir Putin, China became the major economic lifeline since the beginning of Russia's full-scale aggression against Ukraine in 2022. Chinese goods and technologies replaced lost access to Western technology imports, whereas Russian commodities banned by Western democracies flooded the Chinese market, providing Russia with much-needed export revenue. Both countries hold regular high-level summits, never missing an opportunity to stress the essentiality of their partnership to building a new, post-Western and post-democratic world.

However, underneath the PR surface of pompous summits and aggressive public promotion of a “no limits” partnership, clear constraints to a full-scale economic partnership emerge. China doesn't seem to be interested in investing in Russia, in bailing the country out from its current economic woes, in sharing technology, and, more generally, in supporting Russia's emergence as a competitor in the manufactured products markets. Russian producers also complain about competition with Chinese goods at the domestic Russian market, which has recently led to introduction of tough tariff barriers like a recycling fee for cars. Vital Russian commodities like coal or wheat face import tariffs or outright import bans in China. China doesn't provide Russia with loans much needed to solve Russia's budget and investment crises. Most of the major mutual projects, for which implementation was announced in the recent years, have been scrapped or are not really moving forward, with only a few exceptions.

To what extent are these problems complicating and limiting the development of Sino-Russian economic partnership? The current study considers these issues in more detail.



Sino-Russian trade falling from its peak

Putin's high-profile visit to China in early September 2025 was heavily clouded by a sharp decline in Sino-Russian trade - mutual trade turnover fell by 9.4% between January and September 2025, as compared to the same 9-month period in 2024, including a contraction of Russian imports from China by 11.3% (Russian exports to China fell by 7.7%)¹.

While in 2023, in the immediate aftermath of Russia's 2022 full-scale invasion of Ukraine, Sino-Russian trade about doubled as compared to pre-invasion levels, it later stalled in 2024, being followed by the current contraction. The Russian government no longer expects a significant improvement of trade with China, expecting "more moderate" dynamics in mutual trade, as per recent remarks by the Russian Minister of Industry and Trade Anton Alikhanov².

Table 1. Sino-Russian trade in 2021-2025

	2021	2022	2023	2024	2025*
Annual trade turnover, billion USD	147	191	240	245	164
Annual growth, %	35.8%	29.8%	26.0%	2.0%	-9.4%

Source: RBC based on data by General Administration of Customs of the People's Republic of China³; * - First 9 months of 2025

The development of Sino-Russian trade relations has hit certain major barriers after the post-invasion "low-hanging fruits" expired. Initially, Russia re-oriented its commodity export flows to China after being banned from the European market, while China has filled the niche vacated by Western industrial and consumer goods in the Russian domestic market.

But the potential for further growth in trade doesn't appear to be there. Both countries are not eager to open their domestic markets to each other (see more on that below), and there's no actual movement towards anything even remotely resembling an EU-style common market or a free-trade area. China became saturated with Russian commodities, and further expansion of Russian commodity exports is unlikely; those commodities that are currently exported are often supplied with significant discounts, which reduce Russian economic benefits from such trade. Chinese exports of goods to Russia became a major competitive threat to Russian domestic producers, which has led to restrictive measures on the Russian side against key Chinese exports like cars, trucks, and agricultural machinery.

The structure of mutual trade is also very uneven: over 90% of China's imports from Russia are the most basic Russian commodities (74% being energy products and another 8% of ores and aluminium in 2024⁴), while Russia mostly imports sophisticated Chinese goods like machinery, equipment, vehicles, consumer goods, and other finished products.

1 TASS. "Товарооборот Китая с Россией в январе-сентябре сократился на 9.4%" ("China's trade turnover with Russia fell by 9.4% in January-September"). <https://tass.ru/ekonomika/25325099>. Accessed October 27 2025

2 TASS. "Минпромторг ждет более умеренного роста во взаимной торговле с Китаем". ("Ministry of Industry and Trade expects more moderate growth in mutual trade with China"). <https://tass.ru/ekonomika/24821701>. Accessed October 27 2025.

3 RBC. "Что происходило в торговле России и Китая в 2024 году" ("What happened in trade between Russia and China in 2024"). <https://www.rbc.ru/economics/23/01/2025/6790fa3e9a7947ca6e9d4c1c>. Accessed October 27 2025.

4 See footnote 3



Russia's dependence on Chinese manufactured products almost entirely offsets its commodity export revenues from China. In 2024, total Russian exports to China made \$129 billion, while imports from China accounted for \$116 billion, leaving Russia with only a relatively narrow trade surplus. For instance, in 2024, total imports of transport vehicles by Russia from China reached \$25.5 billion (including \$15.2 billion for passenger car imports) - whereas total revenue from natural gas exports from Russia to China via the "Power of Siberia" gas pipeline were worth only \$8 billion⁵.

Chinese finished products imported by Russia are by no means cheap: for instance, since China's share of Russian car imports since 2022 exceeded 80%, the average price of imported cars nearly doubled, increasing by 84% since January 2022, as per the Russian statistics agency⁶.

At the same time, Russian commodity exports to China come with heavy discounts. While Russia became China's #1 oil supplier, China enjoyed enormous benefits from price discounts on Russian oil. Recently, the situation has stabilised and discounts for Russian oil had been largely erased, but from 2022 to mid-2024, Russia lost a lot of money by selling discounted crude to China. According to Rosneft's CEO Igor Sechin, China's total financial benefit from oil price discounts provided by Russian oil exporters compared to prices for oil offered by Middle Eastern suppliers amounted to \$14-18 billion from January 2022 to June 2024⁷.

The situation with natural gas prices is even worse: although Gazprom never disclosed the price of gas currently supplied to China via the existing "Power of Siberia" pipeline, Russian Government documents accessed by the media, as well as Chinese customs data, allow us to say that the price of Russian gas has never reached the level of \$300 per thousand cubic meters (tcm) - despite the fact that in 2014, when the gas contract with China on gas supplies through the "Power of Siberia" pipeline was signed, it was reported that the minimum profitable gas supply price was within the range of \$350-380 per tcm. It is reported that the average price for Gazprom's gas exports to China was below \$300/tcm in 2022-2025, as opposed to over \$500/tcm and above for Europe⁸. Russia's draft federal budget for 2026-2028, introduced by the Russian Government to the State Duma in late September 2025, envisages gas exports prices to China to be about 40% lower than export prices for Turkey and the EU member states which still continue to buy Russian gas⁹.

Oil and gas are not the only Russian commodities which are sold to China with significant discounts: Russian energy exporters are forced to offer their Chinese buyers heavy discounts for other exported commodities like coal¹⁰ and liquefied natural gas (LNG)¹¹.

5 Source of figures: see footnote 3

6 Rosstat. "Еженедельные средние потребительские цены (тарифы) на отдельные товары и услуги в Российской Федерации" ("Weekly average consumer prices (tariffs) for goods and services in the Russian Federation"). https://rosstat.gov.ru/storage/mediabank/nedel_sred_cen.xlsx. Accessed October 27 2025.

7 Interfax. "Сечин отметил, что энергоэкспорт из РФ в Китай в I полугодии вырос на 4%" ("Sechin noted that energy exports from Russia to China increased by 4% in the first half of the year"). <https://www.interfax.ru/business/972085>. Accessed November 12 2024.

8 Reuters. "Russia gas price seen much lower for China than for Europe". <https://www.reuters.com/business/energy/russia-gas-price-seen-much-lower-china-than-europe-document-2023-09-08/>. Accessed October 27 2025.

9 The Moscow Times. "Правительство заложило в бюджет скидку почти в 40% на газ для Китая" ("Government envisaged a nearly 40% discount on gas for China in the new budget"). <https://www.moscowtimes.ru/2025/09/30/pravitelstvo-zalozhilo-v-byudzhnet-skidku-pochti-v-40-na-gaz-dlya-kitaya-a175801>. Accessed October 27 2025.

10 The Moscow Times. "Российским угольщикам приходится продавать продукцию Китаю со скидкой в 20%" ("Russian coal miners are forced to sell their products to China at a 20% discount"). <https://www.moscowtimes.ru/2025/10/13/rossiiskim-ugolschikam-prihoditsya-prodat-produktsiyu-kitayu-so-skidkoi-v-20-a176956>. Accessed October 27 2025.

11 New Izvestia. "«Новатэк» продает Китаю СПГ со значительными скидками" ("Novatek sells LNG to China at significant discounts"). <https://www.moscowtimes.ru/2025/09/30/pravitelstvo-zalozhilo-v-byudzhnet-skidku-pochti-v-40-na-gaz-dlya-kitaya-a175801> Accessed October 27 2025.



Growing trade barriers between Russia and China

Contrary to the “no limits” partnership portrayed in the media, Russia and China are just not moving anywhere close to discussing a free trade area or an economic union, but instead, actively exchange restrictive trade measures against one another.

Chinese trade restrictions against vital Russian commodities have been plaguing mutual trade relations from the onset. One of the Russian industries worst hit by restrictive measures is the Russian coal industry, which is currently suffering the worst crisis since the collapse of the USSR, facing multibillion-dollar net losses¹² and mass enterprise closures¹³. A significant part of the problem are the policies of the Chinese government: since January 2024, China has reintroduced 3-6% tariffs against Russian coal¹⁴, and refused to abolish them in 2025¹⁵ despite permanent pleas from the Russian side citing an economically disastrous situation in the Russian coal industry. Problems, therefore, continue: for 2025, a 12% revenue contraction in the Russian coal industry is predicted¹⁶, whereas in Kuzbass, Russia’s main coal producing region, there are currently no profitable coal producing companies left¹⁷.

China is banning or reluctantly importing Russia’s vital food and agricultural products. For instance, imports of Russian winter wheat and barley, Russia’s most important and sizeable agricultural exports, are banned - at the same time when China readily buys wheat and barley from Ukraine or Kazakhstan. In early September 2025, Russian Agricultural Minister Oksana Lut admitted that opening up the Chinese market for Russian winter wheat remains a very complicated question: “A very difficult question. Our Chinese partners don’t like our winter wheat and winter barley. They think something is wrong with them¹⁸.”

China only allows a handful of certified Russian beef and pork suppliers to export meat products to the Chinese market - and Russia’s share in Chinese beef and pork imports is currently around or below 5%, far behind such exporters as Spain, the United States or Brazil¹⁹. The Russian meat processing industry is banned from the Chinese market, and China, in turn, is currently ranked third in 2024 among major exporters of meat to the Russian market instead²⁰.

12 Interfax. “Сальдированный убыток угольных компаний РФ в январе-июле составил 225 млрд рублей” (“Net loss of Russian coal companies in January-July amounted to 225 billion rubles”). <https://www.interfax.ru/business/1049116>. Accessed October 27 2025.

13 Interfax. “В Кузбассе остановили работу уже 17 угольных предприятий” (“Seventeen coal enterprises have already stopped operations in Kuzbass”). <https://www.interfax.ru/russia/1044012>. Accessed October 27 2025.

14 Kommersant. “Китай возвращает пошлины на российский уголь” (“China Reintroduces Duties on Russian Coal”). <https://www.kommersant.ru/doc/6427274>. Accessed October 27 2025.

15 Lenta. “Китай отказался отменить пошлину на российский уголь” (“China has refused to lift tariffs on Russian coal”). <https://lenta.ru/news/2025/05/19/ne/>. Accessed October 27 2025.

16 Forbes Russia. “Аналитики прогнозируют снижение выручки российских угольщиков на 12% в 2025 году” (“Analysts predict a 12% decline in revenue for Russian coal miners in 2025”). <https://www.forbes.ru/biznes/546420-analitiki-prognoziruyut-snizhenie-vyrucki-rossijskih-ugol-sikov-na-12-v-2025-godu>. Accessed October 27 2025.

17 Interfax. “Все угольные компании Кузбасса работают ниже рентабельности” (“All Kuzbass coal companies are operating below profitability”). <https://www.interfax.ru/russia/1026851>. Accessed October 27 2025.

18 TASS. “Лут назвала сложным вопрос по допуску озимых пшеницы и ячменя на китайский рынок” (“Lut called the issue of allowing winter wheat and barley into the Chinese market difficult”). <https://tass.ru/ekonomika/23887555>. Accessed October 27 2025.

19 Agroexpert. “Четверть российского экспорта свинины за 9 месяцев пришлась на Китай” (“A quarter of Russia’s pork exports in the first nine months went to China.”). <https://agroexpert.press/eksport-import/chetvert-rossijskogo-eksporta-svininy-za-9-mesyaczev-prishlas-na-kitaj/>. Accessed October 27 2025.

20 Vedomosti. “Китай и Бразилия вошли в тройку главных поставщиков мяса в Россию” (“China and Brazil entered top three of largest meat suppliers to Russia”). <https://www.vedomosti.ru/business/news/2025/05/03/1108086-postavschikov-myasa>. Accessed October 27 2025.



China largely doesn't want to assist the emergence of Russian competitors in manufacturing of finished products, and is not inclined for technology transfer to the Russians. As admitted in 2023 by Moscow Mayor Sergey Sobyenin, China is "waging an economic war" against Russia (no less):

"Eastern markets are even tougher. There is already a serious war going on with us there, an economic war. No one wants to give technology - neither in the field of mechanical engineering, nor in the field of aircraft manufacturing, nor in the field of microelectronics. Nobody is going to. Moreover, they openly tell us: if you want to get some technology, buy the entire product. We say: no, we need, at best, components that we will replace soon. They tell us: we understand this, so we are not going to do it, at least not at normal prices. Here's double the price, please."²¹.

In late 2023, Russia's then First Deputy PM Andrey Belousov - later appointed new Russian Defence Minister in 2024 and currently serving in that capacity - broadly admitted that China is not interested in providing access to its market for Russian goods: "We must clearly understand that no one is waiting for us in the markets of friendly countries [including China]. These markets are occupied either by the goods of friendly countries themselves, or by their competitors - the same European goods"²². The situation hasn't changed much since then.

Continuing trade disputes with China are rattling the automaker industry. The main Russian producers of passenger cars and trucks like Avtovaz and Kamaz openly accuse China of unfair competition²³, which forced Russian carmakers to reduce output plans by about a third²⁴. To protect domestic carmakers, Russia introduced significant import tariffs in the form of "recycling fees" against Chinese carmakers, which are so high that some of the Chinese car manufacturers are planning to leave the Russian market²⁵. In addition, Russia confronts Chinese manufacturers with high recycling fees against Chinese agricultural machinery²⁶ and construction vehicles (excavators, bulldozers, loaders, and truck cranes)²⁷, and outright bans on imports of trucks on "safety" grounds²⁸.

21 RBC. "Собянин заявил об экономической войне с восточными странами" ("Sobyenin spoke about an economic war with Eastern countries"). <https://www.rbc.ru/economics/28/09/2023/651555689a79471cf509e712>. Accessed October 27 2025.

22 Kommersant. "«Думаю, точку равновесия мы найдем». Андрей Белоусов о том, как экономика РФ адаптируется к новым условиям" ("I think we will find a balance point". Andrey Belousov on how the Russian economy is adapting to new conditions"). <https://www.kommersant.ru/doc/6428575>. Accessed October 27 2025.

23 The Moscow Times. "Глава «Автоваза» обвинил Китай в «беспрецедентном демпинге» и призвал начать расследование" ("Avtovaz CEO accused China of "unprecedented dumping" and called for an investigation"). <https://www.moscowtimes.ru/2025/04/21/glava-avtovaza-obvinil-kitai-v-besprezidentnom-dempinge-i-prizval-nachat-rassledovanie-a161578>. Accessed October 27 2025.

24 Interfax. "АвтоВАЗ" снизил планы производства Lada в этом году до уровня "более 300 тыс. шт." ("Avtovaz has reduced its Lada production plans for this year to more than 300,000 units"). <https://www.interfax.ru/business/1048009>. Accessed October 27 2025.

25 Gazeta.ru. "Россиянам рассказали, какие китайские автобренды находятся на грани ухода из РФ" ("Russians were told which Chinese auto brands are on the verge of leaving Russia"). <https://www.gazeta.ru/auto/news/2025/08/08/26447762.shtml>. Accessed October 27 2025.

26 Agrotrend. "С 1 января утильсбор на сельхозтехнику вырастет в 5 раз" ("From January 1, recycling fee for agricultural machinery will increase fivefold"). <https://agrotrend.ru/news/49676-s-1-yanvarya-utilisbor-na-selhoztehniku-vyrastet-v-5-raz/>. Accessed October 27 2025.

27 Kommersant. "Великие китайские стенания. Российский рынок наводнит спецтехника из КНР перед повышением утильсбора" ("The Great Chinese Lament. Russian market will be flooded with special equipment from China ahead of the recycling fee increase"). <https://www.kommersant.ru/doc/7943683>. Accessed October 27 2025.

28 Forbes Russia. "Росстандарт запретил ввоз в страну китайских грузовиков Dongfeng, Foton, Faw и Sitrak" ("Rosstandart has banned the import of Chinese trucks Dongfeng, Foton, Faw, and Sitrak"). <https://www.forbes.ru/biznes/542957-rosstandart-zapretil-vvoz-v-stranu-kitajskih-gruzovikov-dongfeng-foton-faw-i-sitrak>. Accessed October 27 2025.



The Russian steelmaking industry is suffering major problems due to global competition with Chinese steel which has been flooding international markets²⁹ - Russia can't export steel to China due to the saturated domestic Chinese market, and can't effectively compete with Chinese steel internationally. The contraction of Russian steel output reached 5% in January-September 2025³⁰. Another Russian industry currently plunging into crisis is the timber sector, which also suffers from low prices at the Chinese market, expensive logistics, and closed access to Chinese market for some of the Russian products (for instance, pellets)³¹.

Russian industrial enterprises have become more and more vocal about the hardships of competition with Chinese companies: "Russian enterprises competing with Chinese ones are holding on by the skin of their teeth," says Andrey Gartung, CEO of the Chelyabinsk Forging and Press Plant, a major manufacturer of forgings, stampings, stamped wheel rims, and other parts for the automotive, tractor, railway, and oil and gas industries³².

As can be seen, Sino-Russian trade more resembles a tit-for-tat across-the-board trade war and a frontal competition, than a "no limits partnership".

29 Forbes Russia. "Коварный сосед: как Китай лишает российских сталеваров прибыли и рынков сбыта" ("A treacherous neighbor: how China is depriving Russian steelmakers of profits and markets"). <https://www.forbes.ru/biznes/523672-kovarnyj-sosed-kak-kitaj-lisaet-rossijskih-stalavarov-pribyli-i-rynkov-sbyta>. Accessed October 27 2025.

30 Vedomosti. "Российские металлурги снизили выплавку стали за девять месяцев на 5%" ("Russian steelmakers reduced steel production by 5% over the first nine months"). <https://www.vedomosti.ru/business/articles/2025/10/13/1146259-rossiiskie-metallurgi-snizili-viplavku-stali>. Accessed October 27 2025.

31 Kommersant. "Лес клонится в минус. Почему лесопромышленная отрасль готовится к кризису" ("Forest leans towards decline. Why the timber industry is preparing for a crisis"). <https://www.kommersant.ru/doc/8005261>. Accessed October 27 2025.

32 Business Journal Urals. "Кредитов нет, но вы держитесь. Какими провокационными фразами запомнится Русский Экономический Форум 2024?" ("No loans, but you hold on. For which provocative phrases will the Russian Economic Forum 2024 be remembered?"). https://ural.business-magazine.online/fn_1572780.html. Accessed October 27 2025.



Russia wants Chinese money - but it's not coming

One of the most remarkable developments since the beginning of Russia's full-scale invasion of Ukraine and subsequent announcement of the "no limits partnership" was the total absence of Chinese investments and loans available to Russia.

Investments were badly needed to replace massively exiting Western capital: the outflow of FDI from Russia since 2022 amounted to nearly \$300 billion³³. There were high hopes that new massive inflow of investment from China would replace it. But this is just not happening. As the Bank of Finland Institute for Emerging Economies (BOFIT) wrote in its recent policy brief focused on Sino-Russian economic relations:

"There are no indications of substantial interest by new entrants [from China]. All available data suggest that new investments from China to Russia have not increased by any substantial amount. Both aggregate and China-specific data indicate a sharp contraction in foreign investment to Russia since Russia's invasion of Ukraine and increased sanctions. ... The total value of foreign portfolio investment to Russia declined from \$190 billion in 1H21 to \$50 billion in 1H24. The drop in portfolio investment from China to Russia was similar, keeping the share of Chinese portfolio investment in Russia at a marginal 0.3%. ... The average annual [Chinese] investment flow of \$400 million was down considerably from \$1.2 billion a year in 2011–2018. In cumulative terms, the share of Russia in Chinese outward FDI has gradually declined over the past decade, falling to a mere 0.4 % in 2023, or slightly less than two decades ago."³⁴

In 2022, China excluded Russia from financing under the Belt and Road Initiative³⁵. For the past few years, Russian companies and banks tried hard to secure access to the Chinese domestic financial market through gaining the permit to issue yuan-denominated bonds - "panda bonds" - to be able to raise cheap capital in China. The last round of optimistic expectations about this came after Vladimir Putin's visit to China in September 2025 - but later, Western media reported that the talks on potential issue of "panda bonds" by Russian corporate players have stalled, because Chinese companies and banks are unwilling to act as underwriters and buyers even for bonds issued by a few Russian companies which are not currently under sanctions - due to overall toxicity of Russia³⁶. Even China's state-owned brokerages like Galaxy Securities have distanced themselves from participating in potential issuance of yuan-denominated bonds for Russian players.

33 The Moscow Times. "Приток иностранных инвестиций в Россию обвалился до минимума с начала века" ("Inflow of foreign investment into Russia has fallen to its lowest level since the beginning of the century"). <https://www.moscowtimes.ru/2025/06/19/rossiya-privlekla-minimum-pryamih-inostrannih-investitsij-s-nachala-veka-a166609>. Accessed October 27 2025.

34 BOFIT. Policy Brief "Russia's ever-increasing economic dependence on China". <https://publications.bof.fi/bitstream/handle/10024/54004/bpb2510.pdf> (page 8). Accessed October 27 2025.

35 Bloomberg. "China Belt and Road Spending in Russia, Sri Lanka Falls to Zero". <https://www.bloomberg.com/news/articles/2022-07-24/china-belt-and-road-spending-in-russia-sri-lanka-falls-to-zero>. Accessed October 27 2025.

36 Reuters. "Sanctions fears stymie Russian companies' panda bond sales push in China". <https://www.reuters.com/sustainability/boards-policy-regulation/sanctions-fears-stymie-russian-companies-panda-bond-sales-push-china-2025-10-01/>. Accessed October 27 2025.



Even Russian experts officially working for the Kremlin widely acknowledge the problem:

“Chinese investment has never been particularly strong in Russia. ... Chinese investors are not yet inclined toward long-term investment [in Russia] and are not particularly focused on it” - Sergey Luzyanin, Professor, Faculty of World Economy and International Affairs, National Research University Higher School of Economics³⁷.

“We don’t see major investments from China because for them, Russia is primarily a sales outlet, not a production facility. ... Our eastern neighbour has no intention of simply coming to Russia and training Russian specialists, lest it lose its main leverage” - Alexey Maslov, Director of the Institute of Asian and African Studies at Lomonosov Moscow State University³⁸.

“In the area of economic cooperation, there are still far more problems than achievements” - Kirill Babaev, Director of the Institute of China and Modern Asia of the Russian Academy of Sciences³⁹.

Chinese money is also not coming to help Russia resolve its persistent budget deficit problem. With the new draft federal budget for 2026-2028 just published, Russia faces 7 consecutive years of high budget deficit⁴⁰ - the last time this happened was in 1992-1999. There were hopes that China would save the Russian government financially - but the Chinese government not only provided zero loans to help the Russian budget and is visibly not intending to do so, but it has also blocked Russia’s plans to gain access to Chinese financial markets to be able to raise debt there. Since 2015, Russia touted plans to issue yuan-denominated bonds to be able to borrow in Chinese financial markets, but these plans faced regulatory resistance from the Chinese government - after which they were dropped. In May 2025, Russian Finance Minister Anton Siluanov admitted that the Russian government no longer maintains plans to issue yuan-denominated federal bonds⁴¹.

Recently, the Russian Ministry of Finance announced the issue of yuan-denominated bonds worth around \$5 billion - but only in Russia, to raise yuan currently accumulated by Russian exporters. Unlike Eurobonds issued in the past, new yuan-denominated bonds will be placed only domestically, and entirely through Russian infrastructure: applications will be collected through the Moscow Exchange bookbuilder, and the technical placement will also take place on the Moscow Exchange⁴². Chinese financial markets remain closed for Russia.

37 Russian Council on Foreign Relations. “Китайские инвестиции никогда особенно в Россию не шли” (“Chinese investment has never really flowed into Russia”). <https://russiancouncil.ru/analytics-and-comments/comments/kitayskie-investitsii-nikogda-osobbenno-v-rossiyu-ne-shli/>. Accessed October 27 2025.

38 Russian Council on Foreign Relations. “Для Китая Россия - это прежде всего точки продаж” (“For China, Russia is primarily a sales outlet”). <https://russiancouncil.ru/analytics-and-comments/comments/dlya-kitaya-rossiya-eto-prezhde-vsego-tochki-prodazh/>. Accessed October 27 2025.

39 Kommersant. “В области экономического сотрудничества проблем пока гораздо больше, чем достижений” (“In the area of economic cooperation, there are still far more problems than achievements”). <https://www.kommersant.ru/doc/6713626>. Accessed October 27 2025.

40 Interfax. “Дефицит бюджета РФ в 2026-2028 годах составит соответственно 1.6%, 1.2% и 1.3% ВВП” (“Russia’s federal budget deficit in 2026-2028 will amount to 1.6%, 1.2%, and 1.3% of GDP, respectively”). <https://www.interfax.ru/business/1049058>. Accessed October 27 2025.

41 TASS. “Минфин РФ не планирует выпуск облигаций в юанях. Глава ведомства Антон Силуанов сообщил об этом журналистам» («Russian Ministry of Finance does not plan to issue yuan-denominated bonds. Finance Minister Anton Siluanov announced this to journalists») (<https://tass.ru/ekonomika/23889435>). Accessed October 27 2025.

42 Forbes Russia. “Долг по-китайски: зачем Минфину понадобилось выпускать ОФЗ в юанях” (“Debt, Chinese Style: Why the Ministry of Finance Needed to Issue Yuan-Denominated Federal Bonds”). <https://www.forbes.ru/investicii/549833-dolg-po-kitajski-zacem-minfinu-ponadobilos-vypuskat-ofz-v-uana>. Accessed November 21 2025.



Joint projects: lack of real progress

Since the beginning of Putin's rift with the West over Ukraine in 2014, Russia and China have announced an ambitious array of potential joint projects in various areas - from energy to infrastructure to high-tech manufacturing - most of which never materialised, and few exceptions are proceeding slowly and without major economic benefits for Russia.

One of the most humiliating examples of Russia's ailing economic partnership with China was Russia's forced withdrawal from what was advertised as a "joint Sino-Russian project of building a widebody passenger aircraft to compete with Boeing and Airbus", CR929. After over a decade of maintaining a cooperation "facade", China finally kicked Russia out of the project, renaming the developed aircraft to simply C929, with the letter "R" disappearing from its name indicating Russia's withdrawal⁴³.

The project of building a high-speed railway between Moscow and Kazan with the participation of Chinese CRRC Changchun Railway Vehicles was put on hold indefinitely⁴⁴ and is now not planned to be revived until at least 2028⁴⁵. Russia and China planned multiple joint projects in the electricity sector and the development of exports of electricity from Russia to China - but all these projects have been scrapped, and Russia's electricity exports to China instead shrank to the historic minimum of 0,2 billion KWh in the first half of 2025 (against around 3 billion kWh per year before Russia's 2022 invasion of Ukraine)⁴⁶.

Another massive joint Sino-Russian energy project that is not moving anywhere is a joint plan to build the Tianjin oil refinery, with over 300 thousand barrels per day throughput capacity in the industrial zone of Nangang in China by a joint venture of Rosneft and CNPC. The project was promoted by Rosneft since 2006, and an agreement on refinery construction between Rosneft and CNPC was signed in 2014⁴⁷. However, the last time the Rosneft-CNPC Tianjin oil refinery project was publicly mentioned was in 2021; since then, the works on the project have stopped. The project was not even mentioned once during Putin's visit to Tianjin in late August - early September 2025.

The cornerstone of Russia's wishful thinking vis-a-vis economic cooperation with China remains the "Power of Siberia-2" natural gas pipeline, which is supposed to deliver the stranded Western Siberian gas to China. After Gazprom has lost most of its European market, Western Siberia, where the bulk of Russian natural gas is produced, was not able to re-direct gas flows to China due to lack of pipeline connection and LNG export capacities. The currently running "Power of Siberia" project is only supplied from two remote Eastern Siberian gas fields that are not connected to the main Russian gas production and transportation system and are thousands of miles away from Western Siberia.

43 Newsweek. "Russia Quietly Quits China Joint Airline Project". <https://www.newsweek.com/russia-quits-china-joint-airliner-project-1929610>. Accessed October 27 2025.

44 RBC. "Хуснуллин объяснил решение отложить проект ВСМ Москва - Казань" ("Khusnullin explained the decision to postpone the Moscow-Kazan high-speed railway project"). <https://www.rbc.ru/business/08/03/2020/5e65355c9a79472f5f6fb362>. Accessed October 27 2025.

45 RBC. "ВСМ Москва - Казань могут начать строить после линии до Петербурга" ("Construction of the Moscow-Kazan high-speed railway may begin after building the line to St. Petersburg"). <https://rt.rbc.ru/tatarstan/freenews/6716990d9a79476af2a5cd2c>. Accessed October 27 2025.

46 Forbes Russia. "Россия снизила экспорт электроэнергии в Китай до исторического минимума" ("Russia has reduced electricity exports to China to a historic low"). <https://www.forbes.ru/biznes/543977-rossia-snizila-eksport-elektroenergii-v-kitaj-do-istoriceskogo-minimuma>. Accessed October 27 2025.

47 Rosneft. "«Роснефть» и CNPC одобрили ТЭО строительства Тяньцзиньского НПЗ" ("Rosneft and CNPC approved the feasibility study for the construction of the Tianjin Oil Refinery"). <https://rosneft.ru/press/releases/item/173388/>. Accessed October 27 2025.



Gazprom has been frequently announcing plans to increase gas exports to China to over 100 bcm per year, because Russia needs to find new large-scale market to accommodate the volumes of gas from Western Siberia that can't be exported to Europe anymore. For that purpose, "Power of Siberia-2", linking Western Siberian gas fields with China, is critically needed.

But despite multiple Russian announcements across the years that "the deal on "Power of Siberia-2" has been reached", China still hasn't confirmed Gazprom's claims that any new "agreement" was signed on gas supplies from Russia via the "Power of Siberia-2" pipeline. The latest Gazprom statement on the "signing of a contract" on this subject in September 2025 remains unconfirmed by the Chinese side. This happened before: in May 2015, more than a decade ago, Gazprom has first claimed that it has signed the "basic conditions of a contract" with China on gas supplies through what then was known as "Western Corridor" (currently rebranded into "Power of Siberia-2")⁴⁸. However, months afterwards, these claims by Gazprom were disavowed by CNPC, whose chairman said that they heard about the "parameters" of "basic contract conditions" from the media, and that Gazprom and CNPC haven't reached any specific deal on a new gas pipeline project⁴⁹. Gazprom made several subsequent false claims about "breakthroughs reached" in negotiations on the "Western Corridor"/"Power of Siberia-2", which were never confirmed later. Even the Russian media currently admits that the "contract" signed in Beijing in early September 2025, as Gazprom claims, lacks specific agreement on price and volumes of gas supply:

"It's worth keeping in mind that the memorandum is not a fully legally binding document, as it only defines the general parameters of the project to transport new volumes of Russian gas to China. Key issues - price and the schedule for increasing supplies - have not yet been agreed upon." - TASS⁵⁰.

This is consistent with the previous pattern of Russia's constant exaggeration of the scale of the agreements reached with China on gas supplies. There are no signs of a real gas contract on "Power of Siberia-2" signed by Gazprom in Beijing in September. The prospect of signing of a major new gas deal between China and Russia diminishes further on the background of recent massive shale gas discoveries in the Sichuan basin in China⁵¹, which will significantly reduce Chinese demand for large-scale pipeline gas imports.

It is also highly questionable whether gas supplies to China will be profitable at all, given the heavy price discounts on gas exported to China as explained above. Gazprom's CEO Alexey Miller admitted that he also expects any future gas contracts with China to include lower prices as compared to gas exports to Europe⁵².

48 Vedomosti. "«Газпром» и CNPC договорились об условиях поставок газа по западному маршруту" ("Gazprom and CNPC agreed on terms for gas supplies via the western route"). <https://www.vedomosti.ru/business/articles/2015/05/12/gazprom-i-cnpc-dogovorilis-ob-usloviyah-postavok-gaza-po-zapadnomu-marshrutu>. Accessed October 27 2025.

49 Kommersant. "Китай и Алтай не сошлись в объемах. Переговоры «Газпрома» с CNPC откатились на шаг назад" ("China and Altai disagree on volumes. Gazprom's negotiations with CNPC have taken a step back"). <https://www.kommersant.ru/doc/3002851>. Accessed October 27 2025.

50 TASS. "Надежность и безопасность "Силы Сибири-2", или Осторожный оптимизм в ожидании контракта" ("Reliability and Safety of Power of Siberia-2, or Cautious Optimism in Anticipation of a Contract"). <https://tass.ru/opinions/24997427>. Accessed October 27 2025.

51 South China Morning Post. "China discovers 2 major shale gas fields in boost for energy security". <https://www.scmp.com/economy/china-economy/article/3322759/china-discovers-2-major-shale-gas-fields-boost-energy-security>. Accessed October 27 2025.

52 RIA Novosti. "Миллер объяснил, почему цена поставок газа для КНР ниже, чем для Европы" ("Miller explained why the price of gas supplies to China is lower than to Europe"). <https://ria.ru/20250902/gaz-2039002401.html>. Accessed October 27 2025.



The situation is nominally slightly better with LNG - where Chinese companies hold equity stakes in two of Novatek's major LNG projects, Yamal LNG and Arctic LNG-2. However, problems exist here, too. First, Chinese investors have conditioned their participation in Novatek's LNG projects with massive tax exemptions which were enshrined in a special intergovernmental agreement - exempting LNG production and exports from mineral extraction tax and export duties (over 90% of taxes to be normally paid) for 12 years⁵³. Second, the price conditions in the Chinese market are so unfavourable in comparison to Europe that around 75% of Yamal LNG exports are still being shipped to Europe, and not China⁵⁴.

Third, the Chinese companies adhere to the U.S. sanctions imposed against Novatek. In late 2023, the United States introduced sanctions against the Arctic LNG-2 project, amid which China's CNPC and CNOOC, along with other foreign shareholders, have frozen their participation in the project⁵⁵. Chinese Wison New Energies, one of the world's leading builders of LNG process modules, announced its decision to "discontinue all ongoing Russian projects" in June 2024, and returned two LNG modules produced for the Arctic LNG-2 project back to China⁵⁶.

Novatek has recently found a way to ship limited amounts of LNG from the sanctioned Arctic LNG-2 project to China, and a total of 11 shipments were made since August through October 2025⁵⁷, but that's still a limited scale of operations as compared to initial plans - LNG is being shipped to just one terminal in China (Beihai) which is not exposed to international operations and connected only to a limited number of consumers. The future of the Arctic LNG-2 project remains highly uncertain on a background of U.S. sanctions, and Novatek's Chinese counterparts offered only limited assistance in overcoming the consequences of sanctions.

Russian petrochemical giant Sibur was forced to delay the implementation of the Amur Gas Chemical Complex (GCC) project in the Far East, where Chinese Sinopec holds 40% stake. Due to lack of access to vital Western technologies, Sibur postponed the launch of Amur GCC from 2024 to at least 2027⁵⁸, and was forced to apply for Russian state financing "in the absence of loans from the Chinese banks"⁵⁹. Similarly to Novatek's Arctic LNG-2 project, Chinese equity participation in the Amur GCC project with Sibur turned out to be rather passive, with Chinese equity investors failing to help the troubled projects to secure either debt financing or the technology needed to continue them.

53 TASS. "Российско-китайское соглашение о сотрудничестве по проекту "Ямал СПГ" вступило в силу" ("The Russian-Chinese cooperation agreement on the Yamal LNG project has entered into force"). <https://tass.ru/ekonomika/1026310>. Accessed October 27 2025.

54 Forbes Russia "Газовые горки: почему снижается экспорт СПГ из России" ("Gas Rollercoaster: Why Russia's LNG Exports Are Declining"). <https://www.forbes.ru/biznes/539474-gazovye-gorki-pocemu-snizaetsa-eksport-spg-iz-rossii>. Accessed October 27 2025.

55 Reuters. "Foreign shareholders freeze participation in Russia's Arctic LNG 2 - Kommersant". <https://www.reuters.com/business/energy/foreign-shareholders-suspend-participation-russias-arctic-lng-2-project-2023-12-25/>. Accessed October 27 2025.

56 Upstream Online. "Chinese contractor completes exit from Russia's Arctic LNG 2 project and returns key modules". <https://www.upstreamonline.com/rigs-and-vessels/chinese-contractor-completes-exit-from-russias-arctic-lng-2-project-and-returns-key-modules/2-1-1713493>. Accessed October 27 2025.

57 The Wall Street Journal. "How Russia's Sanctioned Arctic Gas Found a Chinese Loophole". <https://www.wsj.com/world/russia/russia-arctic-gas-production-china-b6eb5f87>. Accessed October 27 2025.

58 RBC. "Сибур перенес срок реализации Амурского ГХК на 2027 год" ("Sibur has postponed the implementation of the Amur Gas Chemical Complex to 2027"). <https://www.rbc.ru/business/13/09/2023/6501cd259a7947580be4d703>. Accessed October 27 2025.

59 ChemAnalyst. "SIBUR's Amur Gas Chemical Complex Seeks Support from Project Finance Factory". <https://www.chemanalyst.com/NewsAndDeals/NewsDetails/sibur-amur-gas-chemical-complex-seeks-support-from-project-finance-factory-24435>. Accessed October 27 2025.



No new investment entries into Russia by Chinese investors have been recorded since 2022. A limited number of cases when new Chinese factories were opened in Russia were all projects which started before 2022 - like the Great Wall Motor car parts manufacturing plant in the Tula region that opened in 2024, where the investment agreement was signed in 2020⁶⁰ (the total investment commitment is just over \$500 million). According to Reuters, in 2024, the Chinese government has “strongly advised” Chinese carmakers against further investments in Russia⁶¹. Chinese manufacturers keep exiting Russia due to the threat of secondary sanctions - for instance, TPV Technology, an electronics manufacturing company owned by China Electronics Corporation, decided to shut down its large electronic plant in Leningrad region due to risk of sanctions⁶².

60 Interfax. “Китайская Great Wall ввела завод двигателей в Тульской области” (“China’s Great Wall Launches Engine Plant in Tula Region”) <https://www.interfax.ru/business/949257>. Accessed October 27 2025.

61 Reuters. “China warns carmakers of risks in building plants overseas, sources say” <https://www.reuters.com/business/autos-transportation/china-warns-carmakers-risks-building-plants-overseas-sources-say-2024-09-12/>. Accessed October 27 2025.

62 Current Time. “Китайский завод электроники в Ленинградской области прекращает работу из-за санкций США и ЕС” (“Chinese electronics plant in Leningrad region to cease operations due to US and EU sanctions”). <https://www.currenttime.tv/a/kitayskiy-zavod-elektroniki-v-leningradskoy-oblasti-prekraschaet-rabotu-iz-za-sanktsiy/33192416.html>. Accessed October 27 2025.



Clear limits to military cooperation

Much commentary may be seen about China's *de facto* backing of Putin's aggression against Ukraine. It is true that China does that in form of massive supply of dual-use goods and vital technology and components for military production - machinery, vehicle-related items, semiconductor chips, navigation equipment, jet parts, ball bearings and more, even participation in the joint production of drones, all of which are major factors supporting the combat ability of Putin's military in Ukraine. The relevant Western reaction should follow - without these supplies, Russian army and the military industry would have experienced great difficulties in continuing the war against Ukraine.

However, there are also limits to military cooperation, too. Although Putin has been asking China for supplies of lethal weapons from the beginning of his full-scale invasion of Ukraine in February 2022⁶³, China has never agreed to directly supplying Russia with weapons. China is also not importing Russian weapons, too - which is a blow to the Russian military industry which faces a spectacular collapse of arms exports revenues. According to Rostec's CEO Sergey Chemezov – a key figure in the Russian military industry chairing the major conglomerate producing the bulk of Russia's weapons - revenues from Russian arms exports fell below \$6 billion in 2025, against \$15 billion in 2021⁶⁴.

Although this may be partly explained by the fact that Russia withdrew many items from the international arms market to use them on the battlefield in Ukraine, it is also true that Russia would be happy to export items non-essential for the current combat operations, because Russian military manufacturers experience notable financial difficulties, and additional export revenues would be very much welcome:

“A significant portion of [military industry] investments are public funds. Profits leave much to be desired... They don't compare to banking or commodities. The profitability of military production, which is a significant part of our work, remains low, and in some places, it's zero, if not negative. We don't have much of our own funds for development. And the challenges are growing. Add to this the sanctions and the cost of loans. The situation is challenging,” - Sergey Chemezov, CEO of Rostec, Russia's largest arms producer⁶⁵.

Financial difficulties experienced by the Russian military industry already led to significant slowdown in output dynamics - for instance, in September 2025, as reported by the Russian government, monthly weapons and ammunition production has contracted for the first time since the beginning of the full-scale invasion of Ukraine⁶⁶. Russia actively tries to market its arms in China⁶⁷ - but China is not increasing imports of Russian weapons.

63 Financial Times. “Russia has asked China for military help in Ukraine, US officials say”. <https://www.ft.com/content/30850470-8c8c-4b53-aa39-01497064a7b7>. Accessed October 27 2025.

64 Interfax. “Объем экспорта из РФ оружия и военной техники в этом году снизится после \$6 млрд за 2023 г.” (“The volume of arms and military equipment exports from Russia will decline this year after reaching \$6 billion in 2023”). <https://www.interfax.ru/russia/994478>. Accessed October 27 2025.

65 RIA Novosti. “Сергей Чemezov: потолок у нашей “оборонки” еще очень высокий” (“Sergei Chemezov: Our defense industry still has a very high ceiling”). <https://ria.ru/20250822/chemezov-2036752484.html>. Accessed October 27 2025.

66 The Moscow Times. “У экономики лопнула последняя скрепа: в России начало сокращаться производство на военных заводах” (“The economy has lost its last slack: military production in Russia has begun to decline”). <https://www.moscowtimes.ru/2025/10/24/uekonomiki-lopnula-poslednyaya-skrepa-vrossii-nachalo-sokraschatsya-proizvodstvo-navoennih-zavodah-a178185>. Accessed October 27 2025.

67 Komsomolskaya Pravda. “Рособоронэкспорт показал новые ракеты на международной выставке в Китае” (“Rosoboronexport showcased new missiles at an international exhibition in China”). <https://www.kp.ru/online/news/6087150/>. Accessed October 27 2025.



Why isn't China interested in expanding cooperation with Russia further?

There are several reasons why China may not be particularly interested in further expansion of its economic relations with Russia beyond just some most primitive patterns in trade.

First, Russia is generally not such an interesting economic partner for China to rush all-in and to be prioritised over the West. The Russian market is fairly small, with Russia's GDP being just around 2% of global GDP. Sino-Russian total trade turnover is just around 4% of the total Chinese foreign trade, which is nothing compared to the importance of Western markets for Chinese manufacturers. Russia offers no market for some of the most sophisticated and important Chinese exports like EVs - Russia doesn't have a developed EV infrastructure and is not really planning a mass transition to EVs from combustion engine vehicles. The Russian financial system is also small and of no interest to Chinese banks and financial institutions, which prioritise their integration with the global financial system, institutions like SWIFT, correspondent banking relations with Western banks, etc., to ties with Russia. Trade and payments chains independent from the West are being developed, but the relative small scale of Russia doesn't make them attractive to larger and internationally exposed Chinese companies and banks.

Russia has failed to emerge as viable economic alternative to Chinese trade and financial relations with the West.

Second, China clearly considers the Russian investment climate as too risky. Apart from Russia's overall toxicity and the permanent risk of Western secondary sanctions against Chinese companies and banks dealing with Russia, there's so much more: the Russian economy is slowing down, inflation is out of control, overall economic prospects for Russia are negative - even the Russian government's draft budget for 2026-2028 or the Russian Central Bank's medium-term economic forecasts suggest sluggish growth at best. Conditions for foreign investors became much harsher since February 2022, with the introduction of draconian capital controls and the system of individual clearances for foreign investors by a special government commission on virtually any movement of assets owned in Russia or profits earned from doing business in Russia⁶⁸.

Third, China fundamentally isn't interested in Russia's emergence as a competitor in manufactured goods, and in transferring technology in Russia, and isn't eager to open its domestic market to most Russian goods. Chinese companies don't want to invest in localising the manufacturing of products inside Russia, because Russian producers may come back as competitors to Chinese manufacturers in the future. China is not interested in opening up access to its financial market for Russian government and companies - on the background of slowing economic growth and a trade standoff with the United States, Chinese authorities are prioritising the availability of financial resources to their own economy.

68 Forbes Russia. "Путин подписал закон об усиливающих контроль за иностранными инвесторами поправках" ("Putin signs law on amendments to strengthen control over foreign investors"). <https://www.forbes.ru/biznes/483348-putin-podpisal-zakon-ob-usilivavusih-kontrol-za-inostrannymi-investorami-popravkah>. Accessed October 27 2025.



All of this doesn't look like as a full-scale "no limits partnership" picture, but rather as a tactical cooperation clouded by a lack of fundamental convergence of interests and economic gravity, with more features resemblant of competition and mistrust rather than genuine drive towards economic integration. While the Sino-Russian economic cooperation has been expanding in the past years, the 2024-2025 period has shown clear limits to further expansion, and 2025 was marked by an outright decline in economic relations.



Conclusions and policy recommendations

Western policymakers need to begin acknowledging that the Sino-Russian partnership has a lot of weaknesses, which may be taken advantage of in order to weaken Putin's regime, stop Putin's aggression against Ukraine, and weaken the overall global autocratic alliance which is currently challenging the international democratic rules-based order.

Unfortunately, a significant share of the current Western analysis of the subject unjustifiably inflates the successes of the Sino-Russian partnership, while downplaying the cracks and differences. The unfortunate results of that are:

- An unjustified overestimation of Putin's strength vis-a-vis Ukraine and the West, backed by the "solid Sino-Russian partnership" myth;
- A lack of sufficiently focused policy efforts aimed at exacerbating the tensions in Sino-Russian relationship, thus weakening Putin's regime further.

Here are some brief recommendations on policy approaches which may help to enhance Western pressure on Russia from the China angle:

Beware of excessive exaggeration of the Sino-Russian partnership "successes". Media and expert commentary around this issue tend to seriously overestimate the successes of such relations and create the false impression of excessive strengths of such cooperation, well beyond the actual reality. This at times demotivates Western politicians, some of whom take the perception of a "strong no-limits partnership" between China and Russia at face value, to act decisively with an objective to further complicate economic ties between Russia and China, as well as leads to overestimation of Putin's battlefield and negotiation strength and resource backing. Full awareness of the real situation may help to boost Western policymaking confidence vis-a-vis both Putin and China.

Develop and implement a robust, targeted secondary sanctions policy against Chinese actors involved with helping Russia's sanctions evasion. Experience proves that China values economic and financial ties with the West much more than ties with Russia, and that the threat of secondary sanctions against China for cooperating with the Russians in sensitive areas is working. However, secondary sanctions against actors from China and Hong Kong, who help to supply Russia with vital technology and products, is often sporadic. A systemic approach based on defining critical sectors, technologies, and loopholes will be helpful.

Develop measures against possible Chinese investments in Russia and Chinese credit to the Russians. While Russia's budget and investment crisis is exacerbating, Russians will be making more attempts to raise capital from the Chinese financial system. Development of a set of "swift response" secondary sanctions against companies and banks helping Russians to raise money in China will be helpful. These measures may be particularly impactful knowing that most of the Chinese financial sector players are significantly internationally exposed and benefit from integration in the global financial system.



Undertake measures to increase discounts for Russian oil and other commodities. While the idea of “making China completely stop purchases of Russian oil” through the threat of “secondary tariffs” against unrelated Chinese products exported to the West doesn’t seem plausible and implementable, much more can be done instead to increase discounts for Russian oil and other commodities sold to China. The EU’s implementation of plans to completely phase out Russian oil and gas by 2028 opens the possibility to directly sanction Russian oil and gas companies and projects which are not currently under sanctions, and to subsequently target their Chinese counterparts with secondary sanctions if necessary. As practical experience shows, the risk of sanctions leads to a significant increase in discounts for Russian commodities imported by China.

Target sensitive technologies. A specific plan should be developed to target suppliers of sensitive technologies that may seriously impact critical Russian industries - from military production and dual-use goods to high-end petroleum refining equipment (which may be needed to repair Russian refinery capacities taken out by Ukrainian drone strikes), CNC machines and other vital manufacturing equipment for Russian manufacturers, technology related to ice-class oil tankers and LNG carriers (critical for shipments of Russian oil and gas from the Arctic to the Chinese market), etc. Many suppliers of critical technologies from China to Russia are potentially subject to secondary sanctions - which may be even more effective if priority targeting of critical technologies is applied.

China and Russia keep permanently finding new, innovative ways to help Russia evade Western sanctions, and to help Chinese companies and banks to minimise the threat of Western sanctions. These methods of sanctions evasion should be carefully and permanently studied, with a relevant response from those Western authorities responsible for sanctions policy, with the purpose to shut down newly invented ways of sanctions evasion to the maximum extent possible. Particular emphasis should be put on cutting Russian imports of critical Chinese technology allowing it to sustain and develop military operations and industrial capabilities, as well as on curbing the potential of Sino-Russian cooperation in the financial sphere, further complicating Russia’s budget difficulties and investment crisis.

Western experts and policymakers interested in preventing further development of broader Sino-Russian ties, including the economy, should develop a roadmap of proposals for the leadership of the democratic world outlining specific recommendations on how to use the current divergence in Chinese and Russian interests to prevent further strengthening the Sino-Russian partnership and to limit Chinese enabling of Russia’s aggression against Ukraine.





Wilfried

Martens Centre

for European Studies