

The Big Read Chinese politics & policy

China-Russia: an economic 'friendship' that could rattle the world

After Putin's invasion of Ukraine trade links between the two countries have strengthened. So have Beijing's geopolitical ambitions

Joe Leahy in Wenzhou, Kai Waluszewski in Heihe and Max Seddon in Riga 12 HOURS
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Watching his Russian clients partying late at a karaoke bar in the eastern Chinese city of Wenzhou recently, Chinese factory manager Chen marvelled at their stamina.

The Russians were feeling ebullient because Chen's products — industrial valves used mainly in oil and mining — offered a low-cost alternative to the European brands they had used before the Ukraine war.

“They were singing and dancing until midnight and didn't want to leave,” says Chen, who asked to be identified only by his surname for privacy reasons.

Blocked from using their traditional European suppliers by western sanctions following Vladimir Putin's full-scale invasion of Ukraine in 2022, Russian businesses have turned to China to plug the gap.

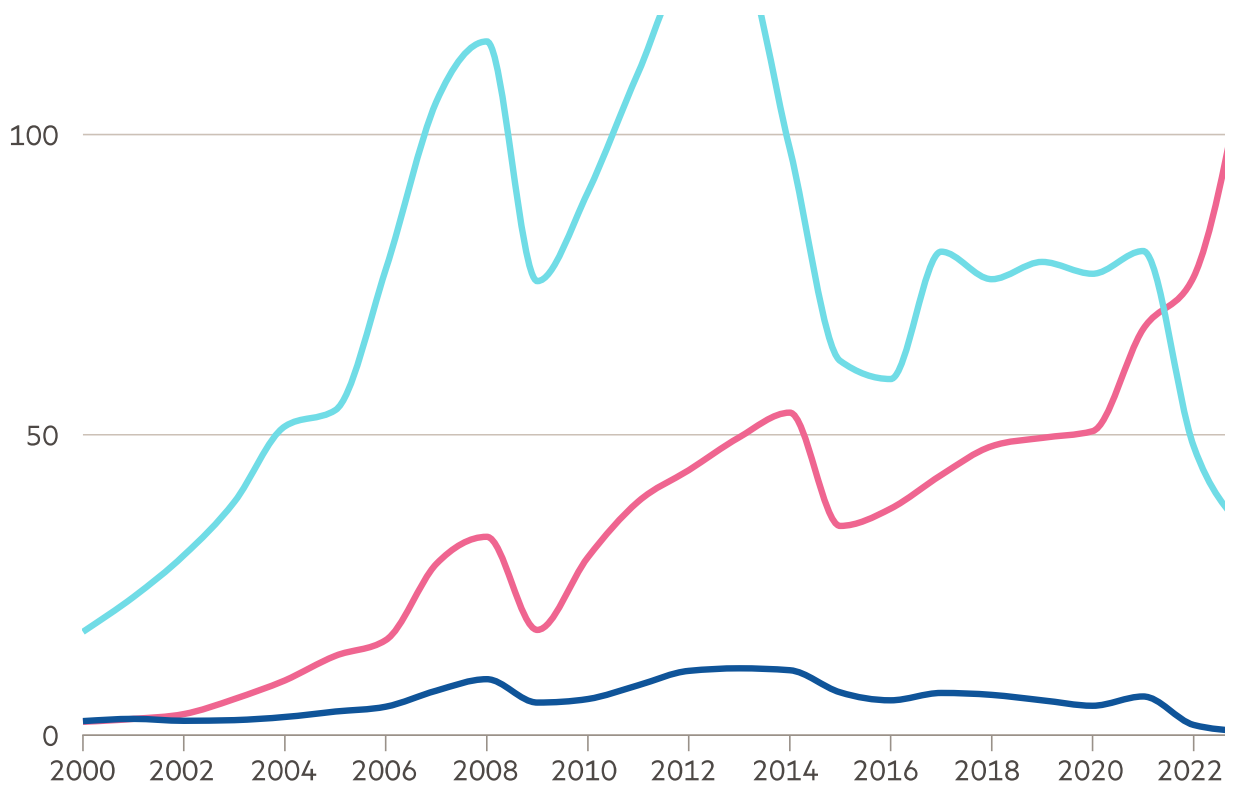
This week, with the Russian president scheduled to meet Xi Jinping in Beijing on Thursday and Friday, the much-heralded “friendship” between the two premier leaders of the autocratic world will be on display again. Putin's state visit will mark his 43rd meeting with Xi.

Economic links between the two sides are booming but face pressure from western sanctions, which are expected to be an important [focus](#) of the talks. [Bilateral trade was \\$240bn last year](#), up 26 per cent against a year earlier, according to Chinese customs, with China shipping goods, ranging from cars and industrial machinery to smartphones, and buying billions of dollars of Russian energy exports.

China's exports to Russia jumped as Europe and US cut shipments

Exports to Russia (\$bn)





FINANCIAL TIMES Sources: China's General Administration of Customs, US International Trade

China says it does not provide Russia with lethal weapons. But it has emerged as a crucial conduit of goods for Russia's defence industry, prompting US secretary of state Antony Blinken and Janet Yellen, Treasury secretary, to [warn Beijing](#) of consequences if its companies support the Kremlin's war effort.

"China is Russia's most important partner now, buying its commodities and supplying goods, including battlefield items," says Elina Ribakova, a non-resident senior fellow at the Peterson Institute for International Economics.

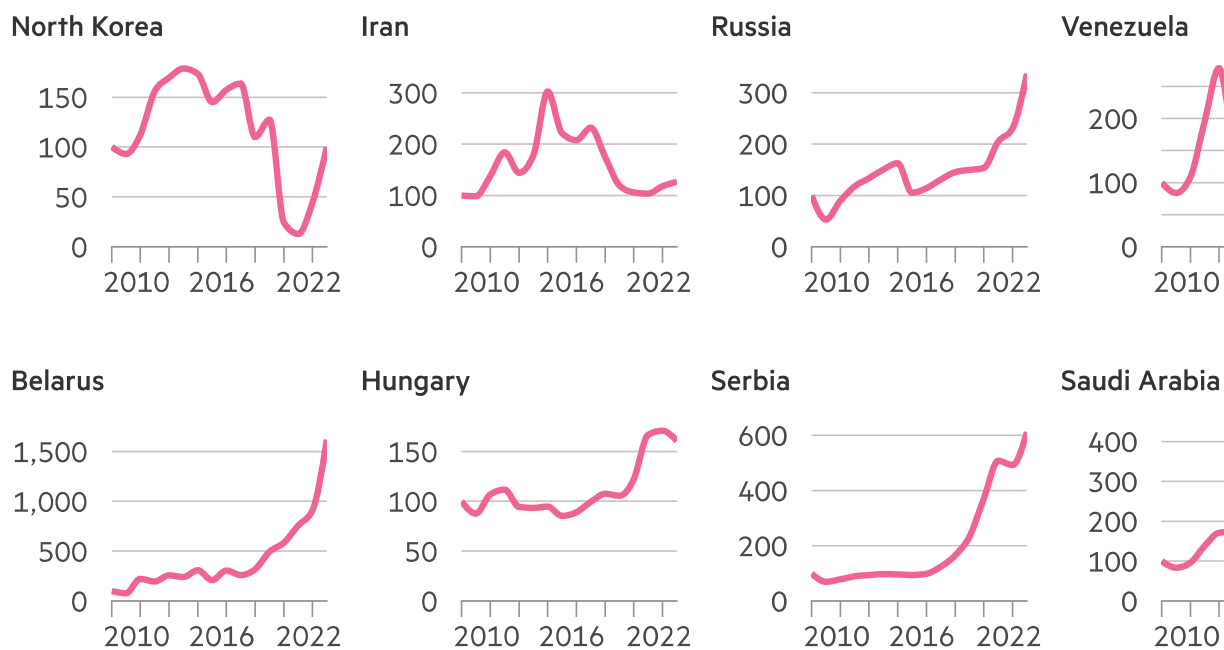
The burgeoning economic ties are one of the clearest signs of China's desire to reshape global geopolitics in its direction using trade — and at the expense of the US, analysts say.

The world's second-largest economy claims to be the biggest trading partner of 120 countries, doing business with most nations regardless of their politics. This gives it a growing role as an economic enabler of a large range of countries, including those antagonistic to the US-led west, such as Russia, Belarus, Iran, North Korea and Venezuela.

China's exports to 'friendly countries' have risen in the past five

years

China's annual exports by destination, 2008 as 100



China is “agnostic about the nature of the political regimes and human rights records of some of its partners in the global south, such as Russia, Iran or Venezuela”, says Philipp Ivanov, founder of the China-Russia programme at the Asia Society Policy Institute’s Center for China Analysis. Beijing foresees a long-term competition and confrontation with the west, he adds, and to offset it, China is investing in its economic relations with the non-western countries around the world.

“The Chinese parallel order is now taking shape,” says Richard McGregor, a senior fellow at the Lowy Institute in Sydney. “We used to say they are building it. Now we can see the sinews.”

In Wenzhou, where gleaming Maybach luxury cars park outside gritty factories — testament to the prosperity of one of China’s premier light industry hubs — it is hard to meet a businessperson who has not visited Russia since the Ukraine war started.

One employee with a trade exhibition company says she has led several delegations of manufacturers to Russia, many of them keen to diversify away from western markets after the pandemic and trade war with the US. Governments on both sides were

after the pandemic and trade war with the US. Governments on both sides were supporting the boom.

“Russian customs used to not be especially friendly to China but after these crises, the interaction between the two sides is stronger,” she says.

Economic ties between China and Russia have been growing since 2014, when Russia annexed Crimea and incurred the first western sanctions, and Xi began pursuing a more assertive foreign policy, according to Ivanov.

But after the full-scale invasion in 2022, this accelerated. Other countries were also supporting Russia’s economy, Ivanov says. India bought Russian oil, the UAE helped with financial transactions, and Kazakhstan, Belarus and Turkey provided hubs for Russia’s parallel imports — goods shipped without permission through third countries.

But China was the most important, not only until recently ramping up exports to its neighbour but also buying Russian oil. Russia last year surpassed Saudi Arabia [to become China’s biggest supplier of oil.](#)



Russian confectionaries in an Epinduo shop in Heihe. Imports and exports in the city’s Pilot Free Trade Zone grew nearly 57% last year © Kai Waluszewski/FT

“The support that Russia receives from China, coupled with the pragmatic approach of many other countries . . . has highlighted the limitations” of western economic power, Temur Umarov, an expert on China and Central Asia, and a fellow at the Carnegie Russia Eurasia Center, says

CARNEGIE RUSSIA EURASIA CENTER, SAYS.

In 2023, 60 per cent of Russia's imports of dual-use high technology goods, as defined by the EU's trade regulations, came from China, according to FT analysis of Russian trade data.

Telecoms equipment, including smartphones, form the largest share of this \$26bn flow at \$3.9bn, with computers in second place at \$2.3bn. Russia also bought \$2bn of microprocessors and \$1.7bn of laboratory equipment.

Almost all of the imported technology used in Russian weaponry is of western origin, with just 4 per cent produced by Chinese companies. Russia has taken advantage of western companies' lax compliance procedures to ship western-manufactured components via China or obtain them from western subsidiaries and joint ventures in the country, says Ribakova of the Peterson Institute for International Economics.

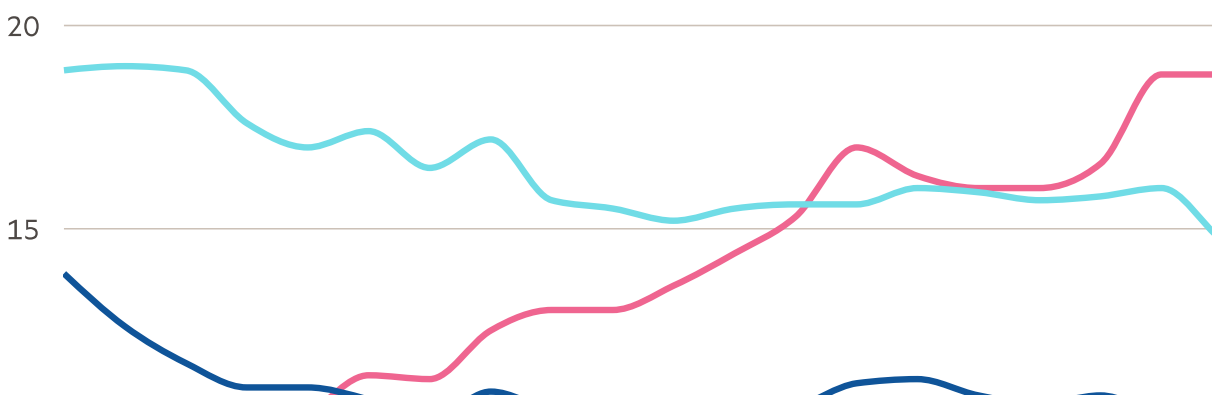
US threats of secondary sanctions against Chinese banks and companies helping the Russian war effort appear to have damped the flow of goods since the Biden administration targeted the trade late last year.

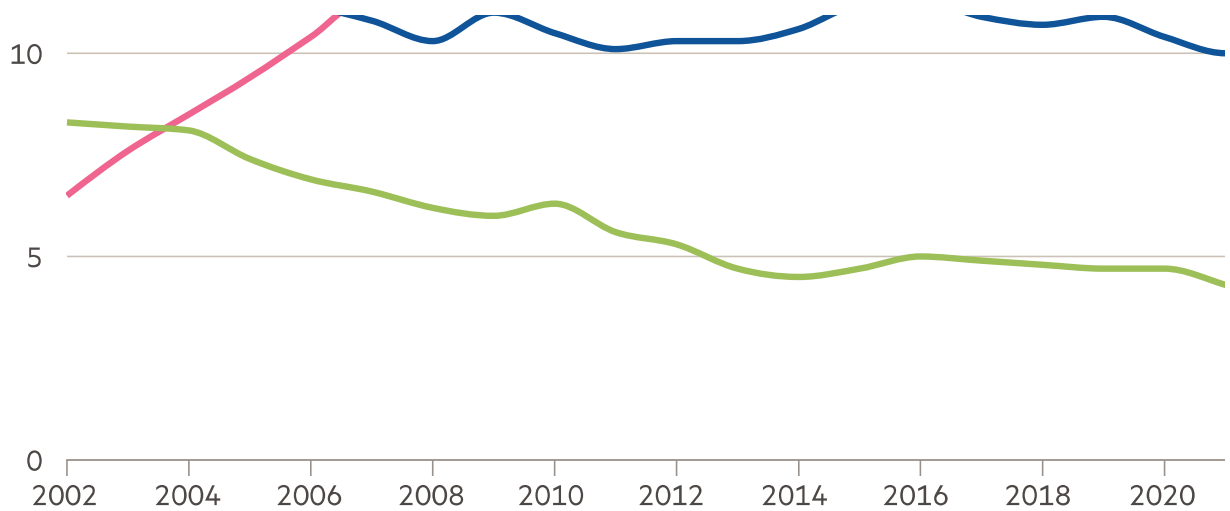
China's exports to Russia fell nearly 16 per cent compared with a year earlier in March and 13.5 per cent in April.

"China thinks its relations with the US will deteriorate whether Biden gets a second term or Trump does. They can't control that, but they can control how quickly they deteriorate," says Alexander Gabuev, director of the Carnegie Russia Eurasia Center in Berlin. "So they are trying to support Russia as carefully as possible, keeping the supply volumes down in an effort to show the Americans that trade is down."

China has been the world's largest goods exporter since 2015

Share of world goods exports (%)





FINANCIAL TIMES

Source: Eurostat • Excluding intra-EU trade

Moscow's increasing reliance on Beijing does not necessarily bother the Kremlin, says Andrea Kendall-Taylor, director of the transatlantic security programme at the Center for a New American Security.

“That’s the trade that they’re willing to make to work with a partner who isn’t threatening to their domestic stability and that has a similar outlook on the way that the world should be ordered.”

In return, Beijing gains valuable access to natural resources and inland trade routes away from Indo-Pacific sea lanes that are more vulnerable to US pressure.

“Intentionally and through a confluence of circumstances”, China and Russia are aiming to create a multipolar world in which power is diffused, according to Ivanov. The most “important characteristic of this world is that the US power is diluted”.

During his trip to Europe this month, Xi’s ideal version of bilateral relations was on full display. Standing with Viktor Orbán, the Hungarian leader seen in the EU as pro-Russia and China, Xi lavished on his hosts the [highest level](#) of bilateral relationship Beijing can offer — an “all-weather comprehensive strategic partnership for the new era”.

Analysts believe China’s leader uses a range of vague-sounding slogans and rhetoric as code for his designs for a future in which China will reassume its historical imperial-era grandeur, tacitly supported by countries that oppose “US hegemony”.

Xi has invented murky international relations frameworks, such as the “Global Security Initiative” and the “Global Civilization Initiative”, whose main vision is to promote non-interference in other countries’ political systems or affairs.

The financial co-operation mechanisms between China and Russia are not yet well established, and there is a lack of market risk mitigation tools and regulatory mechanisms

Underpinning China’s push for greater influence are trade and investment, analysts say. The flagship for this is [the \\$1tn Belt and Road Initiative](#), Xi’s infrastructure building scheme in friendly nations, though it is being replaced or supplemented by concepts such as the GSI and GCI and [bilateral trade deals](#).

For Chinese academics, the stress test for this new worldview is Russia and the Ukraine war. If the US is seen to “lose” the Ukraine war, it will further dilute its influence, Chinese scholars say.

Wang Wen, professor and executive dean of Chongyang Institute for Financial Studies at Renmin University of China, wrote a report titled: “Russia’s future is reshaping, [and] China can actively guide it”, based on research trips across the border.

Russia had made progress resisting western sanctions, he said, but the Achilles heel was the financial industry. While China and Russia’s settlement of their trade in local currencies had grown from 45 per cent in 2022 to 95 per cent now, he said, China’s average annual direct investment in Russia was less than \$1bn while Russia’s in China was even less.

“The financial co-operation mechanisms between China and Russia are not yet well established, and there is a lack of market risk mitigation tools, sufficient information exchange, and regulatory mechanisms, as well as efficient payment and settlement channels,” Wang wrote.

Indeed, the dollar’s dominance in global trade remained the most difficult issue for China’s immediate hopes of thwarting US influence, analysts say.

“You might argue that there is a parallel order. But I don’t think that this so-called new order has [yet] prevailed”, says Yun Sun, a senior fellow and co-director of the East Asia Program and director of the China Program at the Stimson Center in Washington, citing the difficulties with constructing an alternative global settlement system.

As of February, a range of Chinese banks stepped up scrutiny of payments from Russian companies, state media Yicai reported, citing concerns over sanctions.

“Beijing is unlikely to go back to transacting with sanctioned Russian entities as long as the sanctions threat prevails,” Kimberly Donovan and Maia Nikoladze of the Economic Statecraft Initiative at the Atlantic Council’s GeoEconomics Center wrote in March.

Nowhere is the burgeoning Russia-China trade more evident in China’s boreal Heilongjiang province than in the border city of Heihe.

Imports and exports in Heihe’s Pilot Free Trade Zone grew nearly 57 per cent last year. Government signs around town offer bounties for those reporting smugglers.



“The Ukrainian war made many Chinese people feel more kinship with the Russians, since both countries were heavily sanctioned by the west,” says an employee of Epinduo, a Chinese importer of Russian goods such as confectionery and spirits in the Free Trade Zone.

Putin has tried to capitalise on that sentiment by outlining plans for Russia to lead a “global majority” of countries fed up with the US’s “total domination” of the world.

“The more pressure that the US applies on both Russia and China, the more valuable it makes their relationship in terms of mitigating the western pressure and demonstrating to the rest of the world, at least for Russia, that they’re not isolated,” Kendall-Taylor says.

Russia’s ambitions, however, may run against China’s own plans to leverage its

Russia's ambitions, however, may run against China's own plans to leverage its economic might for global influence, says Hanna Notte, director of the Eurasia Nonproliferation Program at the James Martin Center for Nonproliferation Studies.

"Russia is far more revisionist . . . when it comes to the institutions that underpin the current order," Notte says. "China is still more cautious."

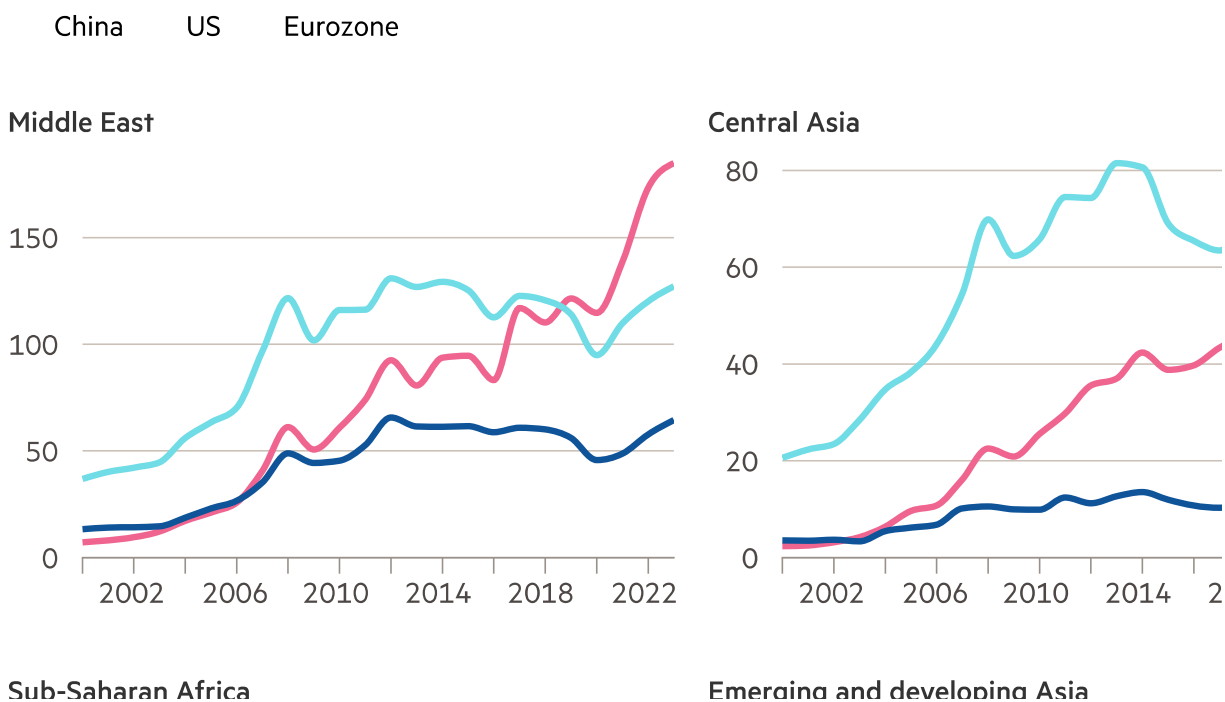
In a report on the "global majority" published late last year, two of Russia's top international relations experts and the former commander of its Pacific fleet wrote that China's integration into the global economy meant it was more focused on shaping the status quo rather than destroying it.

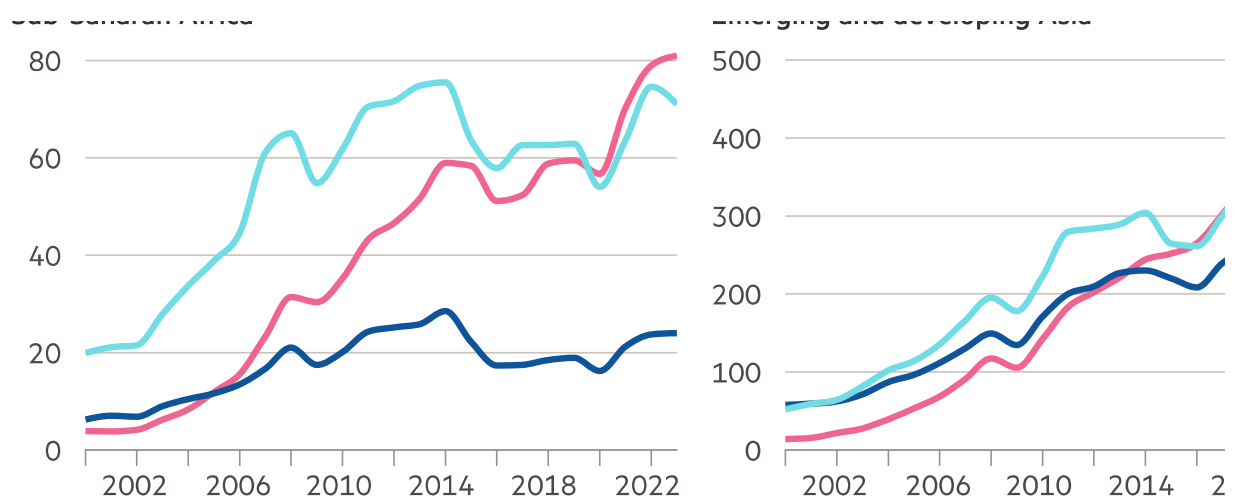
"The reasons are clear: China's social and domestic stability depend on access to US and EU markets; China isn't self-sufficient in food," authors Sergey Karaganov, Dmitri Trenin and Sergei Avakyants wrote.

"In the long term China might partly lose interest in relations with Russia after it achieves strategic self-sufficiency," they added, forcing Russia to diversify its ties with other countries in the "global south" and normalise relations with the west to the extent possible.

China is seizing export markets formerly dominated by western countries

Exports to regions (\$bn)





Notte says another problem with Moscow’s official discourse is that if Russia and China were to become a “dominating tandem”, that could offend the countries they are trying to drag into new multilateral alliances.

“[Russia’s vision is] about all these countries purportedly being equal, it’s about overcoming neocolonialism, it’s about overcoming hegemonic tendencies,” she says.

While some analysts see a grand strategy in China’s relations with Russia and other developing countries, some wonder whether the ultimate result could be more chaos rather than a coherent geopolitical norm — multipolar or otherwise.

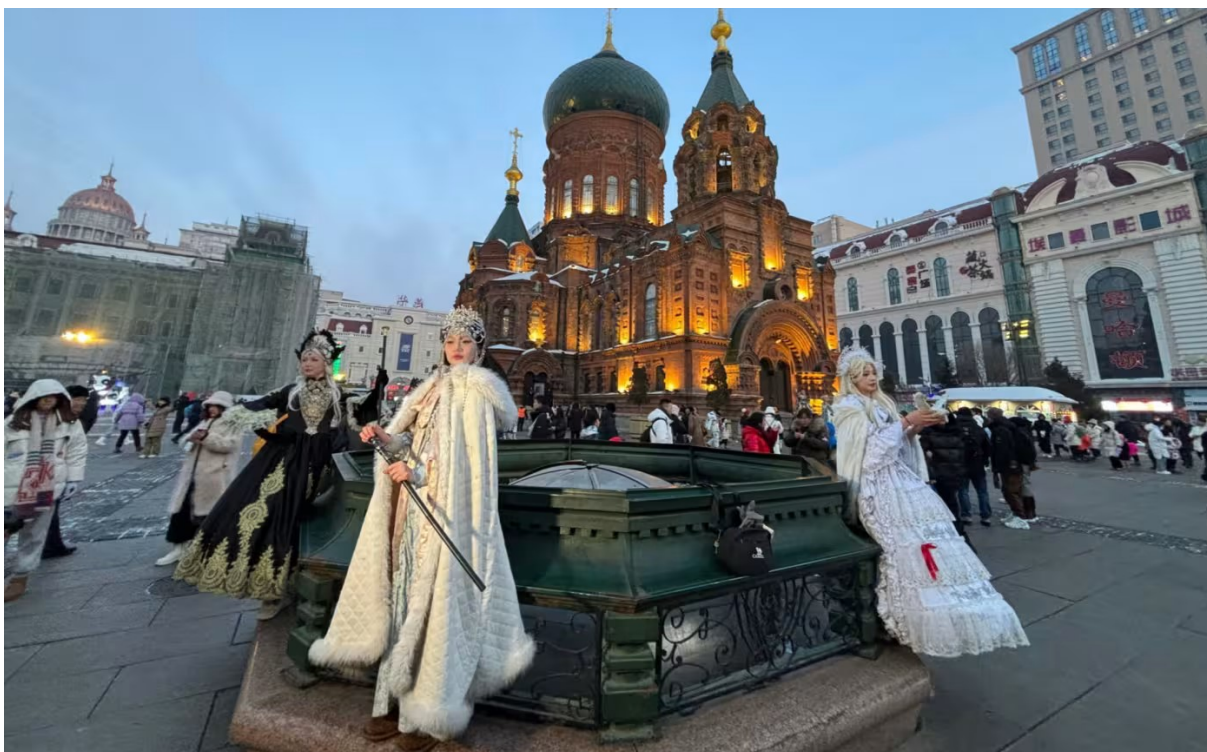
China was mostly “not picking [trading partners] based on political systems”, says Maria Repnikova, an associate professor in global communication at Georgia State University and an expert in China-Russia relations. “It’s not posing as many preconditions as the west. So as a result, we have this [economic empowerment] of different regimes that otherwise wouldn’t have these kinds of benefits operating in a neoliberal world order”.

China’s vague geopolitical rhetoric allows it to engage with most countries but potentially limits its real political influence beyond Asia, she adds.

“I think more unevenness and more chaos seem to be the likely characteristic of the years to come,” says Repnikova.

Chinese academics also agree that there will be more chaos, though they believe the cause will be the decline of US influence rather than China’s rise, which they call a “stabilising factor”.





A view of Saint Sophia Cathedral in Harbin, Heilongjiang. Russia-China trade is flourishing in the Heilongjiang province © Kai Waluszewski/FT

“With the lack of co-ordination among major powers and the end of hegemonic stability, regional powers will take the opportunity to cause trouble to achieve their interests,” says Xu Poling, a researcher at the Chinese Academy of Social Sciences who studies Russia’s economy.

In Jilin, another of China’s three north-east border provinces, whose trade with Russia grew nearly 72 per cent last year, according to Chinese customs, locals agree that the future is unpredictable despite the boom times today.

Flanked by racks of Russian spirits, sweets and condiments, 50-year-old Viktor, who is Chinese but asked to go by his Russian name, says the upswing in trade could change at any moment if bilateral ties suddenly soured for any reason.

“There is no such thing as everlasting friendship between countries. Only everlasting self-interest,” he says, citing a saying that is used in both China and the west.

Additional reporting by Chris Cook in London and Wenjie Ding in Beijing

Data visualisation by [Andy Lin](#)

