Russia-China Relations:
An Asymmetrical Partnership?
Sergei Lukonin

Abstract: Due to the breakdown in relations between Russia and major Western countries, Moscow is compelled to take extraordinary measures to reorient its political, trade, and economic ties. Due to its large and diversified economy and geographical proximity, China is increasingly becoming Russia's primary partner. Therefore, assessing the main outcomes of Russian-Chinese cooperation in trade, finance, economics, and science is crucial while identifying their achievements and probable limitations for further development. China has been Russia's largest trading partner for over a decade, importing mainly mineral products while exporting advanced technical products. In 2022, statistics indicate that the roles of Russia and China in bilateral trade have remained unchanged. China has further solidified its position as Russia's primary supplier of high-tech equipment, while Russia continues to be one of China's primary sources of gas and oil. China accounts for around 20% of the total foreign trade volume of the Russian Federation, while Russia's share in Chinese foreign trade turnover is about 3%. Although evaluating mutual direct and accumulated investments is challenging, it can be argued that China is among Russia's largest investors, whereas Russia's direct and accumulated investments in China, while likely higher than official estimates, are still relatively insignificant. The scope of cooperation between the Russian Federation and the People's Republic of China in the scientific and technological sectors is narrowing, although additional incentives for expansion have emerged amid the heightened US-Chinese strategic rivalry and the crisis between Russia and the West. Russian-Chinese cooperation in the financial sector has had some successes, primarily the expansion of the use of national currencies in bilateral trade. However, this expansion is significantly limited by anti-Russian sanctions. In the current international climate, Russian-Chinese relations have the potential to deepen, but doing so will necessitate the creation of various mechanisms that enable large Chinese companies to avoid secondary sanctions.

Keywords: world economy, Russia, China, trade and economic cooperation, sanctions
In 2022, the international landscape was characterized by an escalating rivalry between China and the United States and Russia’s conflict with Western countries. These circumstances contribute to a further convergence and deepening of the partnership between Russia and China, officially referred to as a comprehensive partnership and strategic interaction entering a new era (Lomanov 2022: 14-16). Chinese officials have also emphasized that there are no limits or forbidden zones in the trust and strategic cooperation between China and Russia (Morozov, Batyuk 2022: 439). Both the Russian and Chinese sides demonstrate their determination to expand bilateral cooperation through such statements. In order to fully realize the potential of this expansion, it is necessary to determine the roles of Russia and China based on available data as of the end of 2022.

The main objective of this article is to determine the roles of Russia and China in their bilateral relationship, with a particular focus on assessing the relative significance of each country. Additionally, this article examines how the partnership between Russia and China will develop in the short and medium term, considering the opportunities, limitations, and achievements in this relationship. The analysis in this article is based on statistical methods and data research on various aspects of Russian-Chinese cooperation, including trade, investment, finance, and science. This study primarily focuses on the most recent economic statistics available, particularly in light of the current crisis in global politics.

**Russian-Chinese trade**

For over a decade, China has held the position of Russia’s largest trading partner. From 2010 to 2022, the overall volume of Russian-Chinese trade nearly tripled, reaching $180.1 billion according to Russian data (see Figure 1). Concurrently, the People’s Republic of China’s share in the foreign trade of the Russian Federation more than doubled, from 9.47% to 21.18%.

In 2022, according to the latest available Chinese statistics, the Chinese-Russian trade turnover set a record for both countries at $190.27 billion, a 29.3% increase compared to the same period in 2021. Chinese exports to Russia increased by 12.8%,
reaching $76.12 billion, while Russian exports to China rose by 43.4%, reaching $114.5 billion. Discrepancies exist between the General Administration of Customs of the People's Republic of China (GAC of China) and the Federal Customs Service of the Russian Federation (FCS of Russia) regarding data calculation. As a rule, the total volume of Russian-Chinese trade, according to Chinese data, is higher than according to Russian data due to calculation peculiarities.

According to the latest available Russian data for 2021, the primary groups of exported goods from Russia to China include mineral products accounting for 74.37% of total exports, followed by wood, pulp, and paper products – 7.62%; food products and agricultural raw materials – 4.98%; metals and metal products – 5.74%; machinery, equipment, and vehicles – 3.44%; as well as chemical industry products – 3.69% (see Figure 2).

Although there has been a quantitative increase in the overall volume of Russian-Chinese trade, its qualitative composition has remained essentially unchanged. Based on the latest available Russian data for 2021, the primary groups of exported goods from Russia to China include mineral products accounting for 74.37% of total exports, followed by wood, pulp, and paper products – 7.62%; food products and agricultural raw materials – 4.98%; metals and metal products – 5.74%; machinery, equipment, and vehicles – 3.44%; as well as chemical industry products – 3.69% (see Figure 2).

---


In 2021, the primary items imported from China to Russia were machinery, equipment, and vehicles, accounting for 60.77% of the total volume of Russian imports. This was followed by textiles and footwear – 9.19%; chemical industry products – 11.03%; metals and metal products – 7.44%; as well as food products and agricultural raw materials – 1.99% (see Figure 3).

---


8 Ibid.
Considering the preliminary Chinese data for 2022, it is unlikely that this pattern will change, with China remaining the primary supplier of mainly complex technical products to Russia, while Russia will continue to be one of the main exporters of natural resources to China, particularly energy carriers such as gas, oil, and coal. The highest bilateral trade volume growth rates were primarily due to an increase in Russian oil and gas supplies. As mentioned earlier, by the end of 2022, the total volume of Russian-Chinese trade increased by almost 30%, according to Chinese data, while China’s trade with its three largest trading partners, namely ASEAN, the EU, and the USA, grew by 15%, 5.6%, and 3.7%, respectively.

The primary factor contributing to the 30% increase in Russian-Chinese trade turnover was the rise in Russian oil and gas exports to China. By the end of 2022, Russia had boosted its LNG exports to China by 43.9%, to 6.5 million tons, and its oil exports by 8.3%, to 86.25 million tons. Regarding value, LNG exports surged 2.4 times, to $6.7 billion, and oil by 44%, to $58.4 billion compared to 2021. Consequently, in 2022, Russia ranked second in oil supplies to China after Saudi Arabia, and fourth in LNG supplies after Australia, Qatar, and Malaysia.

As a result of the high growth rates of Russian-Chinese trade in 2022 — an increase in total volume by around 30%, Russia will hold a higher position among China’s largest trading partners, at over 3%. Historically, Russia usually occupied the 9th-13th places in terms of trade ranking, falling behind countries such as Vietnam, Malaysia, and Brazil, while China remained Russia’s largest trading partner for more than a decade (see Table 1).

In the short and medium term, the pattern of bilateral trade between Russia and China appears to remain unchanged. This is due to the structural features and trends in the development of their respective economies, which were established in the late 20th century. The additional anti-Russian sanctions in 2022 will increase Beijing’s significance for Moscow. Russia is now cut off from high-tech goods and equipment from European, American, Japanese, and other sources. Chinese suppliers are poised to occupy market niches vacated by Western and some Asian companies, taking advantage of their near-monopoly position. However, this process will occur with certain exceptions, primarily due to concerns about large Chinese corporations falling under secondary sanctions.

---


Table 1. China’s main trading partners in 2021.

<table>
<thead>
<tr>
<th></th>
<th>Country</th>
<th>Exports (100 million yuan)</th>
<th>% of the total volume</th>
<th>Imports (100 million yuan)</th>
<th>% of the total volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Association of South East Asian Nations (ASEAN)</td>
<td>31 255</td>
<td>14,4</td>
<td>25 489</td>
<td>14,7</td>
</tr>
<tr>
<td>2.</td>
<td>European Union (EU)</td>
<td>33 483</td>
<td>15,4</td>
<td>20 028</td>
<td>11,5</td>
</tr>
<tr>
<td>3.</td>
<td>USA</td>
<td>37 224</td>
<td>17,1</td>
<td>11 603</td>
<td>6,7</td>
</tr>
<tr>
<td>4.</td>
<td>Japan</td>
<td>10 722</td>
<td>4,9</td>
<td>13 298</td>
<td>7,7</td>
</tr>
<tr>
<td>5.</td>
<td>Korea</td>
<td>9 617</td>
<td>4,4</td>
<td>13 791</td>
<td>7,9</td>
</tr>
<tr>
<td>6.</td>
<td>Hong Kong</td>
<td>22 641</td>
<td>10,4</td>
<td>627</td>
<td>0,4</td>
</tr>
<tr>
<td>7.</td>
<td>Taiwan</td>
<td>5 063</td>
<td>2,3</td>
<td>16 146</td>
<td>9,3</td>
</tr>
<tr>
<td>8.</td>
<td>Brazil</td>
<td>3 464</td>
<td>1,6</td>
<td>7 138</td>
<td>4,1</td>
</tr>
<tr>
<td>9.</td>
<td>Russia</td>
<td>4 364</td>
<td>2</td>
<td>5 122</td>
<td>2,9</td>
</tr>
<tr>
<td>10.</td>
<td>India</td>
<td>6 302</td>
<td>2,9</td>
<td>1 819</td>
<td>1</td>
</tr>
<tr>
<td>11.</td>
<td>South Africa</td>
<td>1 365</td>
<td>0,6</td>
<td>2 147</td>
<td>1,2</td>
</tr>
</tbody>
</table>

Data Source: compiled by the author based on the sources given in the footnote\textsuperscript{12}.

Despite individual "success stories" in Russian exports to China, such as high growth rates in agricultural supplies or sporadic deliveries of Russian high-tech equipment for constructing nuclear power reactors, they will not significantly impact the overall picture. To change the qualitative composition of Russian exports to China, it is necessary to establish joint consortia with Chinese companies or separate production chains that allow for exporting their products to third countries. At the most, it may require a restructuring of the Russian economy.

Russian-Chinese investment cooperation

Investment cooperation between Russia and China exhibits a complex structure characterized by heterogeneity of investment sources, leading to various approaches for assessing its scale. At first glance, based on the statistics from the Central Bank of the Russian Federation (CBR), the share of Chinese direct and accumulated investments in the total volume of investments attracted to Russia appears insignificant. For

\textsuperscript{12} “一带一路”倡议提出8年来，我国与沿线国家进出口总值年均增速7.5% [In the eight years since the launch of the Belt and Road Initiative, the average annual growth rate of imports and exports between China and the countries along the way amounted to 7.5% (In Chinese)]. CNPC. January 18, 2022. URL: http://news.cnpc.com.cn/system/2022/01/18/030056455.shtml (accessed: 10.12.2022); 2021年我国外贸出口形势分析与2022年展望 [Analysis of China’s foreign trade in 2021 and prospects for 2022 (In Chinese)]. Bank of China. URL: https://pic.bankofchina.com/bocappd/rareport/202202/P020220214846470213495.pdf (accessed: 12.01.2023)
instance, as of the end of 2021, the Chinese foreign direct investment (FDI) in the Russian Federation amounted to $11 million, which represents only 0.03% of the total volume of all attracted FDI, while accumulated investments amounted to $3.3 billion, which represents approximately 6.3%\textsuperscript{13}.

The main investors in Russia are Cyprus, UK, Ireland, Germany, Jersey, Bahamas, Hong Kong, Bermuda, Austria, and Switzerland\textsuperscript{14}. However, it is essential to consider several factors. Firstly, the offshore factor: Chinese entrepreneurs, like their Russian counterparts, prefer to use such jurisdictions to invest their funds. Secondly, separate statistics for China and Hong Kong should be considered. If combined, the volume of Chinese FDI to Russia in 2021 can be estimated at around $1 billion\textsuperscript{15}. Thirdly, the Russian and Chinese sides utilize different methods of assessing investments. As a rule, the CBR underestimates the volume of direct and accumulated Chinese investments. In particular, the regulator does not include investments made by small businesses through offshore jurisdictions, within the framework of informal business activities and cross-border cooperation, in calculating the final indicator (Gemueva 2021).

Chinese authorities are attempting to address this statistical issue by utilizing data from various ministries and conducting surveys of companies that operate in the Russian market. Consequently, estimates of Chinese FDI in Russia may differ significantly depending on the source, whether it be the Russian or Chinese side.

For instance, according to CBR data cited above, the total volume of accumulated Chinese investments in Russia at the beginning of 2022 amounted to $3.3 billion\textsuperscript{16}. Including Hong Kong brings the total to $5.5 billion\textsuperscript{17}. China has never been among the ten largest investors in Russia (Zhao Zhihua, Gordyachkova 2021: 162). However, according to the latest available Chinese data, the corresponding figure at the beginning of 2020 was over $12.8 billion\textsuperscript{18}.

Furthermore, as part of China’s "One Belt, One Road" initiative, Russia was ranked third in terms of accumulated investments by the end of 2019, trailing only Singapore (at $526.4 billion) and Indonesia (at $151.3 billion), but ahead of the UAE, Kazakhstan, Vietnam, and other countries. On the European continent, Russia was the fifth-largest recipient of Chinese investments, surpassing Sweden, France, Switzerland, Italy, and Norway (see Figure 4)\textsuperscript{19}.

\textsuperscript{14} Ibid.
\textsuperscript{15} Ibid.
\textsuperscript{16} Ibid.
\textsuperscript{17} Ibid.
Russia has made efforts to adopt a more appropriate methodology for evaluating Chinese direct and accumulated investments. For instance, according to the report "Eurasian Economic Union (EEU) and the Countries of the Eurasian Continent: Monitoring and Analysis of Direct Investment – 2017" by the Eurasian Development Bank (EDB), the total amount of Chinese accumulated investments in Russia was $8.2 billion at the end of 2016. This amount is significantly higher than the estimates provided by the CBR and closer to Chinese data.\(^\text{20}\)

An essential institutional factor in promoting mutual investments is the Intergovernmental Russian-Chinese Commission on Investment Cooperation, established in 2014. Over the years of the Commission’s work, 17 joint investment projects have been successfully implemented (Brizitskaya 2023: 117).

One such example is the Bystrinsky copper deposit development project in the Trans-Baikal Territory. Additionally, a Russian-Chinese agro holding called "Legend-agro Primorye" was established in the Far East of Russia\(^\text{21}\), while a car manufactur-
ing plant owned by the Chinese company "Great Wall" began operations in the Tula Region. In the Republic of Tatarstan, the production of refrigerators owned by the Chinese company "Haier" was launched, and a joint venture between Russia and China for the production of KAMAZ-Veichai engines operates in the Yaroslavl region. In November 2021, the Commission held its eighth meeting, approving a new list of joint projects with a total declared investment volume of over $120 billion (Vorontin 2022).

Estimating the total volume of Russian direct and accumulated investments in China is also challenging, likely due to the offshore factor. The available data vary significantly. For instance, according to the CBR, the volume of Russian accumulated investments in China by the end of 2021 was around $1 billion. However, the Russian-Asian Union of Industrialists and Entrepreneurs estimates that official data on the volume of Russian accumulated investments in China are considerably underestimated due to the factors of sanctions and offshore, and the actual volume may reach $4-5 billion. According to the National Bureau of Statistics of China, Russian FDI to China was $54.2 million in 2019 and $11.2 million in 2020. On the other hand, the Statistical Bulletin on FDI in China of the Ministry of Commerce of the People’s Republic of China does not mention Russian FDI, probably because of its small volume.

Consequently, it can be argued that the total volume of Chinese investments in Russia and Russian investments in China exceeds the official data. However, Russian capital in China is nearly imperceptible compared to Chinese investments in Russia and is even more inconspicuous when compared to investments in China from developed countries. In contrast, Chinese capital is penetrating an expanding range of areas in Russia, including construction, agriculture, mechanical engineering, and other sectors beyond the traditionally attractive resource-producing industries (Fu Yuanyuan 2022: 112). Meanwhile, anti-Russian sanctions and the uncertainty of the economic situation in Russia present significant challenges to the further expansion of Russian-Chinese investment cooperation.


Russian-Chinese financial cooperation

Russian-Chinese financial cooperation is progressing, albeit at a slower pace than trade and investment cooperation. The main constraints are, firstly, the need to use the international financial infrastructure, access to which for the Russian side is limited due to sanctions and, secondly, the convenience of using, until recently, the US dollar in Russian-Chinese bilateral trade and economic relations (Song, Knyazeva, Polyakova 2022: 1306).

To bolster economic and trade relations, and to specifically augment the utilization of national currencies in trade settlements and facilitate mutual investments, a swap agreement of 150 billion yuan was concluded between the central banks of Russia and China in 2014. As of the end of July 2022, the combined share of the yuan and the ruble in the total volume of Russian-Chinese trade increased approximately tenfold and, by various estimates, accounts for approximately 20-25%.

About ten Chinese banks are operating in Russia, including the Bank of China (branches in Moscow, Khabarovsk, and Vladivostok), The Export-Import Bank of China (representative office in St. Petersburg), the Industrial and Commercial Bank of China (branch in Moscow), China Development Bank (representative office in Moscow), China Construction Bank (Moscow branch), and Agricultural Bank of China (Moscow branch) (Song 2021).

Russian banks have also established their presence in China, such as VTB Bank (with a representative office in Beijing and a branch in Shanghai), VEB Bank, Promsvyazbank, Gazprombank, Evrofinance Mosnarbank, Sberbank, Russian Agricultural Bank (all with representative offices in Beijing), and others.

However, it is essential to note that despite the greater number of Russian banks formally represented in China, only the branch of VTB Bank in Shanghai is authorized to conduct limited banking operations. Conversely, most Chinese banks in Russia operate as branches and can undertake full-fledged banking activities. In the aftermath of the escalation of the Russian-Ukrainian crisis in February 2022, branches of Chinese banks informally curtailed the provision of specific services in the Russian market to evade potential secondary Western sanctions (Borisova 2022: 67).

---

28 Ardashova P. RF i KNR budut narashchivat’ ob’emy vzaimoraschetov v natvaliutakh [Russia and China will increase the volume of mutual settlements in national currencies (In Russian)]. Rossiiskaia gazeta. June 24, 2022. URL: https://rg.ru/2022/06/24/rf-i-knr-budut-narashchivat-obemy-vzaimoraschetov-v-nacvaliutah.html (accessed: 10.01.2023)
29 Ibid.
The Chinese national payment system UnionPay commenced operations in Russia in 2007, although the usage of its cards was limited primarily to the Russian Far East region\(^{30}\). The number of outlets that conducted transactions on UnionPay cards throughout Russia had increased to 715 thousand. Moreover, the aggregate number of UnionPay cards issued in Russia as of the end of 2021 exceeded three million\(^{31}\), but only seven Russian banks are authorized to issue these cards following the imposition of new sanctions against Russian banks\(^{32}\).

Another significant aspect of Russian-Chinese financial cooperation involves trading the yuan-ruble currency pair on both Russian and Chinese exchanges, which commenced in 2010. Due to the sanctions, the total volume of yuan trading on the Moscow International Currency Exchange surged thirtyfold from the beginning of March to July 2022, compared to the corresponding period the previous year. Concurrently, the daily transaction volume hit a record 40 billion rubles\(^{33}\).

As of January 1, 2022, the share of the yuan in the gold and foreign exchange reserves of the Russian Central Bank rose to 17.1%, whereas the share of the dollar is progressively declining, from 43.7% in 2018 to 10.9% at the close of 2021\(^{34}\). By geographical distribution, China’s share in Russian gold and foreign exchange reserves has also increased to almost 17%\(^{35}\).

The matters of placing securities of Russian corporations on Chinese exchanges, trading Chinese company shares on Russian exchanges, and linking Russian banks to the national Chinese bank transfer system, the Cross-border Interbank Payment System (CIPS), are actively being discussed.

Therefore, the areas with the most potential for financial cooperation between Russia and China include further expansion of the use of national currencies in bilateral trade and economic relations, the establishment of a joint Russian-Chinese bank transfer system, integration of the Russian Financial Message Transmission System (SPFS) with the Chinese CIPS, expansion of the use of Chinese UnionPay both in Russia and abroad, and the inclusion of Russian companies in the Chinese stock markets.

---


\(^{31}\) UnionPay vkluchila 5 novykh prodavtsov v spisok prinimaiushchikh onlain-platezhi UnionPay v Rossii [UnionPay includes 5 new sellers in the list of accepting UnionPay online payments in Russia (In Russian)]. TASS. October 27, 2021. URL: https://tass.ru/press-relizy/12776077 (accessed: 15.01.2023)

\(^{32}\) Klyakhin D. UnionPay obnovila spisok rossiiskikh bankov, kotorye ofitsial’no mogut oformliat’ karty [UnionPay updates the list of Russian banks that can officially issue cards (In Russian)]. Banki.ru. March 03, 2023. URL: https://www.banki.ru/news/lenta/?id=10981197 (accessed: 13.03.2023)


\(^{34}\) Degot’kova I., Tkachev I. $29 mlrd uskol’znuli ot zamorozki [29 billion escape the freeze (In Russian)]. RBC. April 11, 2022. URL: https://www.rbc.ru/newspaper/2022/04/12/62543f679a7947e285c71eb0 (accessed: 10.02.2023)

(Zou Jiahong 2022: 162). However, in all areas, except for increasing the share of national currencies in bilateral trade, difficulties may arise due to anti-Russian sanctions. However, anti-Russian sanctions may pose challenges in all these areas except for the increase in the use of national currencies in bilateral trade. For instance, UnionPay has declined to work with some sanctioned Russian banks, such as Sberbank, Alfa-Bank, Otkritie Bank, VTB Bank, Sovcombank, and Promsvyazbank, resulting in the suspension of their issuance of UnionPay cards. A solution to this problem is yet to be found.

Over 20 Russian banks have joined CIPS, including Gazprombank, VTB Bank, Otkritie Bank, and Absolut Bank. Efforts are currently underway to explore the possibility of integrating the Russian SPFS with the Chinese CIPS. If successful, such integration could eliminate the need to use the Western SWIFT system. However, the Chinese government is reluctant to see its system subjected to secondary sanctions and prioritizes its integration with Western counterparts. It appears that Russian financial institutions are not a crucial element for CIPS.

The placement of shares of Russian companies on Chinese stock exchanges is also associated with certain challenges as the Russian National Settlement Depository is under sanctions. This means that some transactions between Chinese and Russian regulators may result in secondary sanctions for the Chinese side. Despite Western sanctions, cooperation between Russia and China in the financial sphere will continue to develop, albeit at a slower pace, given the closure of Western capital markets to Russia.

Scientific and technical cooperation between Russia and China

At first glance, Russian-Chinese scientific and technical cooperation (STC) is supposed to be strategic, deeper and more extensive. However, in practice, it is primarily focused on importing technologically advanced products from China to Russia, executing individual joint projects, and the Chinese side’s negligible purchases of Russian technologies, equipment, and services in the research and development field. The most ambitious Russian-Chinese STC projects so far have been the design and construction of power units for nuclear power plants (NPPs), as well as the partial development by Russia of specific components for a wide-body long-haul aircraft and a heavy civilian helicopter.

36 Chernyshova E., Kuznetsova E. Rossiiskie podsanktsionnye banki ne smogut vypuskat’ karty UnionPay [Russian banks under sanctions will not be able to issue UnionPay cards (In Russian)]. RBC. April 20, 2022. URL: https://www.rbc.ru/finances/20/04/2022/625f9f519a7947196d66f36c (accessed: 15.01.2023)


The construction of the first and second power units (two VVER-1000 reactors with a capacity of 1,060 MW each, along with turbine units) for the Tianwan NPP was carried out by the Russian company Rosatom from 1999-2000 and was completed in 2006-2007\(^39, 40\). In 2010, Rosatom and China National Nuclear Corporation (CNNC) signed a new contract for the construction of the third and fourth power units of the Tianwan NPP (the so-called nuclear island, without a turbine unit), which began in 2012-2013\(^41, 42\). The third power unit was launched in February 2018, followed by the fourth unit in December of the same year\(^43\). Subsequently, in March 2019, a contract was signed in Beijing for the construction of the seventh and eighth power units, utilizing VVER-1200 type reactors (generation 3+), each with a capacity of 1,200 MW\(^44\). The construction of these units commenced in 2021 and is expected to be completed by 2026-2027\(^45\). In the same year, a contract was signed for the construction of the third and fourth power units for the Syudapu NPP, which will feature nuclear reactors of the VVER-1200 type (generation 3+) with a capacity of 1,200 MW each. An agreement on the supply of nuclear fuel was also signed\(^46\). The Russian power units for the Syudapu NPP are expected to be operational in 2027-2028\(^47\).

Another example of Russia-China cooperation in the nuclear energy sector is the China Experimental Fast Reactor (CEFR), developed by several Russian organizations, including the "Experimental Design Bureau of Mechanical Engineering named after I.I. Afrikantov," "Experimental Design Bureau Gidropress," "Research and Design Institute of Power Engineering named after N.A. Dollezhal," and the National Research Institute of...
Center "Kurchatov Institute." Construction of the CEFR began in 2000 by the Chinese side; with the reactor being launched in 2010 at the China Institute of Atomic Energy (CIAE). In addition to providing equipment, the Russian side carried out several commissioning works⁴⁸.

The collaboration between China and Russia in developing a wide-body long-haul aircraft, CR-929, began in 2014 with a cooperation agreement between the Chinese COMAC and the Russian United Aircraft Corporation. In 2017, the China-Russia Commercial Aircraft International Corporation (CRAIC) was established in Shanghai as a joint venture between the two countries. In the project, Russian engineers are responsible for designing the center section and wing consoles with mechanization, while Chinese engineers are tasked with developing the fuselage and tail. The Russian side was initially planned to be responsible for avionics and control systems⁴⁹, and the possibility of installing Russian PD-35 engines on the aircraft was also considered⁵⁰.

In addition, an agreement was signed in 2021 between the Russian company Russian Helicopters and the Chinese Avicopter to jointly develop a heavy civilian helicopter, although the negotiations began as early as 2008⁵¹. In this project, the Russian side is responsible for developing specific equipment, such as the transmission, tail rotor, and anti-icing system. The entire helicopter development process is expected to take approximately 13 years⁵².

There are several examples of Chinese investments in Russian technology companies at the corporate level, albeit less significant. In 2010, Chinese company Tencent acquired 10.26% of Digital Sky, a Russian company specializing in internet projects, mainly social networks, for $300 million⁵³. In the same year, a joint venture called Liotech was established by Russian company Rusnano and Chinese company Thunder Sky to build a factory in Novosibirsk to produce batteries with a total investment of about $500 million. However, the project later failed⁵⁴. In 2017, Wangsu Science &
Technology, a Chinese company, acquired a controlling stake in CDNvideo, a Russian company specializing in technologies for transmitting video content over the internet.55

There are also several agreements on scientific and technical cooperation between Russian and Chinese institutions, such as the agreement on scientific cooperation signed between the Russian Academy of Sciences and the Chinese Academy of Sciences in 2018 (Ridiger 2022: 28). Within the framework of this agreement; a roadmap was developed in 2019 that outlines six areas of joint Russian-Chinese research: 1) deep-sea resources of the world ocean; 2) the study of natural disasters; 3) development of high-powered lasers; 4) the study of the human brain and artificial intelligence; 5) the study of the unique astroclimate and glaciers of Chinese Tibet; 6) space surveillance.56 Russia declared 2020 and 2021 as the years of Russian-Chinese scientific, technical and innovative cooperation (Nekoteneva 2022: 53).

Despite the above examples of scientific and technological cooperation between Russia and China, such collaborations are generally not strategic. Although they have yielded positive results, their intensity has slowed, and they remain a collection of individual events without sufficient depth and scale. This is partly attributed to the state of science and innovation in Russia, which is underfunded, and the lack of a sufficiently long-term planning horizon in Russia, unlike China (Danilin 2020).

Furthermore, the scale of cooperation is gradually decreasing in some cases. For instance, the amount of Russian equipment used in the construction of the Tianwan and Xudapu nuclear power plants is decreasing, with most of the equipment now being manufactured in China. It should be noted that this is consistent with China’s policy of increasing the localization of high-tech components, which is also being applied to other manufacturers, such as those from France, the United States, Japan, and elsewhere. The Russian Federation has announced its plans to withdraw from the joint project to create a wide-body long-haul CR 929 aircraft. The Deputy Prime Minister of the Russian Federation, Yuri Borisov, who is responsible for the development and implementation of state policy in the field of industry, stated that China, as it turned into an industrial giant, has become less interested in Russian services within the framework of this project, which is not satisfactory for the Russian side.57 According to Alexander Sergeev, ex-President of the Russian Academy of Sciences, Chinese scientists

56 Uchenye Kitaia i Rossii opredelili shest’ napravlenii sotrudnichestva [Scientists from China and Russia identify six areas of cooperation (In Russian)]. TASS. July 19, 2019. URL: https://nauka.tass.ru/nauka/6681762 (accessed: 01.02.2023)
57 Borisov zaavil o sokrashchenii uchastiia Rossii v proekte sozdaniia samoleta s Kitaem [Borisov announces the reduction of Russia’s participation in the project to create an aircraft with China (In Russian)]. TASS. June 29, 2022. URL: https://tass.ru/ekonomika/15073925?utm (accessed: 01.02.2023)
halted their cooperation with Russia after the implementation of anti-Russian sanctions in February 2022. However, Chinese Foreign Ministry spokesman, Zhao Jian, later denied this information.

China may have limited interest in expanding scientific and technical cooperation with Russia due to the risks associated with anti-Russian sanctions and China's growing independence in this field. The specific forms and intensity of cooperation will likely be determined by the balance of benefits and risks associated with China's interaction with the West, which remains a significant technology donor and an important market for China, just as China is for them.

**Limitations in Russian-Chinese cooperation**

The current global situation, characterized by both Russian and Chinese anti-hegemonism, may seem to push the two nations towards further cooperation. However, upon closer examination, discrepancies between the Russian and Chinese positions on bilateral relations may become apparent.

At the political level, Russia and China accuse the United States ofdestabilizing the international order, exacerbating tensions, provoking the Ukrainian conflict, and imposing their ideological values and political models on other nations. At the same time, while Russian leaders have described the situation as a radical break with the past, making it impossible to restore old relations and heralding the beginning of the collapse of the unipolar world led by the United States, Beijing, on the contrary, has not given up on globalization and is conceptually willing to compromise with Washington, particularly on economic matters, nuclear weapons control, and maintaining regional stability. China's current tough stance against the United States is primarily a strategy to gain negotiating advantages rather than a sign of the irrevocable decline in Sino-American relations.

While in many ways compelled to do so, Russia is emphasizing self-reliance and perceiving a decline in globalization processes. It has put forth ideas such as "technological islands," abandoning international technological cooperation to eliminate dependence on other countries and transitioning from multilateral market projects to barter bilateral exchanges of high-tech products and technologies (Lukonin, Sung Hoon Jeh 2023: 253). In contrast, China consistently and regularly reaffirms, at the highest levels, its policy of openness and promotion of globalization and active participation in global and regional integration processes.

---


59 Nauchnoe sotrudnichestvo s Rossiei razvivaetsia normal'no, zaiavili v Pekine [Scientific cooperation with Russia is developing normally, Beijing says (In Russian)]. RIA-Novosti. April 15, 2022. URL: https://ria.ru/20220415/nauka-1783665283.html (accessed: 01.02.2023)
In the economic sphere, Russian-Chinese cooperation faces several constraints. Firstly, the Russian economy exhibits low growth rates and a relatively small scale compared to China’s other economic partners. There is also a high likelihood of a reduction in consumer demand in Russia in the short and medium term due to the negative impact of anti-Russian sanctions. Furthermore, the number of Russian industries whose products interest Chinese consumers is limited, which prevents a significant expansion of the share of non-resource goods in Russian exports to China.

Additionally, large Chinese companies are hesitant to cooperate with Russian partners due to the risk of losing access to Western technologies, as well as the US and EU markets, which exceed the Russian market in terms of volume and prospects. While China does not support Western anti-Russian sanctions, there is a considerable likelihood of problems arising in business cooperation due to the potential for Chinese companies to fall under secondary US sanctions.

In 2014, China faced a similar situation when Chinese banks refrained from providing credit lines to Russian companies and banks, as their access to American and European multinational banks was limited due to anti-Russian sanctions. Some Chinese financial institutions showed excessive caution in dealing with Russian partners, interpreting the sanctions in an extended manner, and often blocked dollar payments and transfers from Russia, even though the payment initiators were not on the sanction list at that time\(^6\). However, during the 2014 Ukrainian crisis, China was not yet involved in a systemic confrontation with the United States, and Chinese businesses were not under the influence of the PRC’s Law on Countering Foreign Sanctions. These factors could theoretically influence China’s behavior in the current situation in favor of Russia.

However, in practice, China’s two largest state banks have already suspended servicing transactions for the purchase of Russian commodities. The Industrial and Commercial Bank of China (ICBC) has ceased issuing letters of credit for transactions carried out in dollars, and each issuance of a letter of credit for transactions in yuan requires separate approval. The Bank of China has also limited the financing of purchases of Russian raw materials by the decision of its risk management service\(^6\). Moreover, some Chinese companies have suspended purchases of Russian oil that is delivered by sea from the ports of the Far East. The Asian Infrastructure Investment Bank (AIIB), with Russia among the founders (ranked 3rd in terms of contribution to the authorized capital after China and India), announced the suspension of projects related to Russia and Belarus\(^6\). To minimize the risks, the AIIB proposes to create a

---


\(^6\) Tadtaev G. Osnovannyi vlastiami Kitaia bank ob"avil o prekrashchenii raboty s Rossiei [The bank founded by the Chinese authorities announces the termination of work with Russia (In Russian)]. RBC. March 03, 2022. URL: https://www.rbc.ru/economics/03/03/2022/6220f2c9a7947c217d7bb6d (accessed: 12.02.2023)
separate financial institution to work with Russia, just as the Chinese Bank of Kunlun was specially created to work with Iran.

It is likely that China will not limit trade, economic, scientific, and technical cooperation with Russia but will instead seek to minimize the risks of its companies and scientific organizations falling under primary and secondary sanctions. To achieve this, the business sector is expected to use specially created companies, barter, clearing mechanisms, semi-legal international payment centers, and digital currencies, among other measures.

One may wonder who is China for Russia in the current conditions: a friend, an ally, a partner, a tough negotiator, an implicit opponent? The answer can be – depending on the situation and interests at the given moment – China is all of these for Russia at the same time. In terms of the confrontation with the United States, China is an ally, but the extent of this alliance’s usefulness to China depends on how much it enables China to play its own game of confrontation and cooperation with the United States. China is a sympathetic partner when Russia helps it solve its problems in relations with Europe and Japan. In business, China could mostly be described as a partner and a tough negotiator. In the case of Ukraine, China is a neutral party. Simply put, the national interests of both countries, which vary in place and in time, determine the nature of Russia-China bilateral relations.

About the author:
Sergei A. Lukonin – Cand.Sci. (Economics), Head of the Sector of Economy and Politics of China, Primakov Institute of World Economy and International Relations, Russian Academy of Sciences. 117997, Russia, Moscow, st. Profsoyuznaya, 23. E-mail: sergeylukonin@mail.ru.

Conflict of interests:
The author declares the absence of conflict of interests.
Из-за кризиса в отношениях между Россией и ведущими западными странами Москва вынуждена принимать экстраординарные меры по переориентации своих политических и торгово-экономических связей. Учитывая масштаб и диверсификацию экономики, а также географическое положение, Китай продолжает укреплять свою роль основного партнера России. Поэтому важно оценить основные результаты российско-китайского торгово-экономического, финансового и научного сотрудничества, а также выявить достижения и вероятные ограничения во взаимоотношениях двух стран. Вот уже более десяти лет Китай за 2022 г. свидетельствует об этом, что роли России и Китая в двусторонней торговле не изменились: Китай еще больше укрепил свое значение для России как крупнейшего поставщика высокотехнологического оборудования, а Россия остается одним из основных поставщиков газа и нефти для Китая. Доля КНР в общем объеме внешней торговли Российской Федерации составляет около 20%, а доля России во внешнеторговом обороте Китая – около 3%. Несмотря на трудности оценки взаимных прямых и накопленных инвестиций, часто приводящие к недооценке их объема, можно утверждать, что Китай входит в число крупнейших инвесторов в России. Напротив, объем российских прямых и накопленных инвестиций в Китай, хотя, скорее всего, и превышает официальные оценки, незначителен. Научно-техническое сотрудничество между РФ и КНР находится на достаточно низком уровне. Вместе с тем, в условиях обострившегося американо-китайского стратегического соперничества появляются дополнительные стимулы для его развития. Есть определенные успехи в российско-китайском финансовом сотрудничестве, прежде всего, расширение использования национальных валют в двусторонней торговле. Однако дальнейшее движение в этом направлении затруднено антироссийскими санкциями. В изменившейся международной обстановке российско-китайские отношения имеют потенциал к углублению, однако для его использования потребуется разработка различных механизмов, которые позволят крупным китайским компаниям избегать вторичных санкций.

Ключевые слова: мировая экономика, Россия, Китай, торгово-экономическое сотрудничество, санкции.

Об авторе: Сергей Александрович Луконин – кандидат экономических наук, заведующий Сектором экономики и политики Китая Национального института мировой экономики и международных отношений им. Е.М. Примакова Российской академии наук. 117997, Россия, Москва, ул. Профсоюзная, д. 23. E-mail: sergeylukonin@mail.ru.

Конфликт интересов: Автор заявляет об отсутствии конфликта интересов.

References:


Список литературы на русском языке:


Сун Ц., Князева Е.Г., Полякова Е.Ю 2022. Российско-китайское финансовое сотрудничество: тренды развития и перспективы. Финансы и кредит. Том 28, № 6 (822). С. 1288-1307. DOI: 10.24891/fc.28.6.1288


Цзоу Цзяхун 2022. Перспективные направления российско-китайского экономического сотрудничества на современном этапе. Вестник Института экономики Российской академии наук. № 4. С. 156–165. DOI: 10.52180/2073-6487_2022_4_156_165