

# THE CURRENT SITUATION AND DEVELOPMENT PROSPECTS OF CHINA-RUSSIA TRADE AFTER THE RUSSIA-UKRAINE CONFLICT

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**Abstract:** The Russia-Ukraine conflict is a complex political event that has had a profound impact on international relations and the global economic landscape. Especially after the conflict, Western countries imposed severe sanctions on Russia, and the Russian economy was shaken, and the trade between China and Russia became even more important. China and Russia have a deep traditional friendship and cooperative relationship. In the context of the conflict between Russia and Ukraine, how to further deepen economic and trade cooperation between China and Russia while maintaining their strategic interests has become an issue worth exploring. Economy and trade are the source and lifeblood of a country's finances, and in order to increase fiscal revenue and achieve national strength, countries must carry out economic and trade exchanges with other countries. The Russia-Ukraine conflict has become the focus of international attention. The conflict has not only affected the situation in Ukraine, but has also had a profound impact on the global energy market and geopolitical landscape. Under such circumstances, the development of economic and trade relations between China and Russia, as energy powers and important trading partners, has attracted much attention.

**Keywords:** Sino-Russian trade; Russia-Ukraine conflict; Foreign tra

## 1 INTRODUCTION

Since the outbreak of the Russia-Ukraine conflict in 2022, the global geopolitical and economic landscape has undergone profound fluctuations. This ongoing military confrontation has not only reshaped the security order in Europe, but also had a chain reaction on the global economy through multiple channels such as energy, finance and supply chains. As an important neighboring country and strategic partner of Russia, China is confronted with complex challenges and opportunities against the backdrop of conflicts. The long-term economic and trade cooperation between China and Russia, against the backdrop of the all-round sanctions imposed by the West on Russia, has not only endured external pressure but also demonstrated unprecedented resilience. This article aims to explore the current evolution and future prospects of China-Russia trade after the Russia-Ukraine conflict, analyze its internal driving forces, structural adjustments and potential risks, and provide a new perspective for understanding the adaptive reconstruction of major countries' economic and trade relations under the countercurrent of globalization.

The outbreak of the Russia-Ukraine conflict has directly led to the economic "decoupling" of Russia from Western countries. The financial sanctions imposed by Europe and the United States on Russia have cut off its connection with the world's mainstream payment systems, forcing Russia to accelerate its "eastward shift" strategy. During this process, China has become a key partner for Russia to circumvent sanctions and stabilize its economy. Data shows that the bilateral trade volume between China and Russia reached 191 billion US dollars in 2022, increasing by 34.3% year-on-year. In 2023, it rose to 240 billion US dollars, with energy trade accounting for more than 60%. The core driving force behind this rapid growth lies in the structural shift of Russia's energy exports - in the face of the closure of the European market, Russia exported oil and gas resources to China at significant discounts. For instance, in 2023, the export price of natural gas to China was nearly 200 US dollars per thousand cubic meters lower than that to Europe, while China strengthened its strategic reserves by expanding its energy import channels. This reciprocal model not only alleviated Russia's financial crisis, but also provided a stable energy guarantee for China's industrialization process.

The deepening adjustment of the trade structure has become a remarkable feature of the economic and trade relations between China and Russia after the conflict. On the one hand, energy cooperation has expanded from traditional pipeline natural gas to new areas such as liquefied natural gas (LNG) and Arctic shipping routes. Russia plans to build a natural gas pipeline system in Eastern Siberia for the Chinese market, indicating the deepening of long-term supply agreements. On the other hand, non-energy trade is showing a trend of diversification: China's exports to Russia have extended from daily consumer goods to high-end manufacturing. In 2023, auto exports soared by 47%, successfully filling the market gap left by the withdrawal of Western automakers. Russia has expanded its agricultural exports to China. The volume of wheat and meat exported to China has increased by 40% and 65% respectively. It is particularly worth noting that the role of small and medium-sized enterprises in bilateral trade is becoming increasingly prominent. Their flexible market response mechanisms have driven the scale of cooperation in fields such as mechanical and electrical products and information technology equipment to exceed historical peaks.

The innovation of the financial settlement mechanism provides the underlying support for trade growth. To avoid the risks of the US dollar system, China and Russia have accelerated the settlement in their own currencies. The proportion of the RMB in Russia's foreign exchange reserves has jumped from 12.8% in 2021 to 35% in 2024. The trading share of

the RMB on the Moscow Exchange has surpassed that of the US dollar to become the largest foreign currency. This "de-dollarization" practice not only reduces the exchange rate risks of enterprises in the two countries, but also lays the foundation for building regional financial autonomy through the connection of currency swap agreements with cross-border payment systems (such as CIPS). However, this process still faces challenges: The degree of internationalization of the RMB is not yet sufficient to completely replace the US dollar, and the channels for Russian enterprises to obtain RMB liquidity are still subject to fluctuations in the international financial market.

The shaping effect of geopolitical factors on the economic and trade relations between China and Russia cannot be ignored. The supply chain reorganization triggered by Western sanctions has given rise to new Spaces for cooperation. For instance, Chinese semiconductor enterprises have evaded the US technology blockade by importing key materials such as Russian neon gas, while Russia relies on China to fill the gap in mechanical equipment and high-tech products. Breakthroughs have also been made in the interconnection of cross-regional infrastructure. The launch of the China-Kyrgyzstan-Uzbekistan Railway and the expansion of the Trans-Caspian Sea transportation corridor have gradually formed an alternative route for the China-Europe Railway Express to bypass Russia, while strengthening the economic and trade ties between China and Central Asia. This "dual-track parallel" logistics network not only embodies the practical strategy of diversifying geopolitical risks, but also reflects China's pivotal position in the economic integration of the Eurasian continent.

Despite the broad prospects for cooperation, the economic and trade relations between China and Russia still face multiple constraints. The first and most prominent risk is the "long-arm jurisdiction" of Western secondary sanctions. The US move to list 27 Chinese entities on the "blacklist of Russian-related entities" indicates that Chinese enterprises' business in Russia may encounter technology supply disruptions and market access restrictions. Secondly, the sustainability of Russia's "war economy" model is questionable. Although its benchmark interest rate as high as 21% and inflation rate of 8.5% are temporarily maintained through energy revenue, the pain of economic transformation after the conflict may affect bilateral investment cooperation. Furthermore, the problem of trade structure imbalance has become prominent: China's exports to Russia are mainly high value-added industrial products, while Russia's exports to China are still concentrated on raw materials. This asymmetry may trigger frictions as the demand for the recovery of Russia's manufacturing industry increases.

Looking forward to the future, the development of China-Russia economic and trade relations will depend on the interaction of three major variables. The first one is the political and economic effect of the duration of the conflict. If the war persists for a long time, Russia's energy dependence and technological demands on China may deepen further, but at the same time, it will also intensify its economic vulnerability. The second is the global energy transition process. Policies such as the EU's Carbon Border Adjustment Mechanism (CBAM) may force China and Russia to deepen cooperation in the field of green energy, such as jointly developing Arctic liquefied natural gas projects or jointly building renewable energy infrastructure. The third is the evolution of strategic games among major powers. The linkage between the US policy of technological containment against China and economic stranglehold against Russia may prompt China and Russia to form an "independent innovation alliance" in key technological fields such as semiconductors and artificial intelligence. Against this backdrop, economic and trade cooperation between China and Russia has transcended simple complementary transactions and increasingly become an important testing ground for reshaping the economic order of Eurasia and exploring the paradigm of international cooperation in the post-hegemonic era.

This study attempts to reveal the adaptation mechanism and evolution logic of economic cooperation under the background of major power games by sorting out the data evolution, structural transformation and institutional innovation of China-Russia trade before and after the Russia-Ukraine conflict. At the theoretical level, this analysis is conducive to enriching the research on international economic politics under the "sanction-countermeasures" paradigm. At the practical level, it provides policy references for China to coordinate development and security and optimize the layout of opening up to the outside world. As globalization enters a period of deep adjustment, the experience of China-Russia economic and trade relations may provide key inspirations for China's participation in building a more resilient multi-polar economic system.

## **2 THE CURRENT SITUATION OF CHINA-RUSSIA TRADE AGAINST THE BACKDROP OF THE RUSSIA-UKRAINE CONFLICT**

### **2.1 Total Import and Export Trade Volume between China and Russia (2019-2023)**

China and Russia have had trade exchanges for a long time. Against the backdrop of the Russia-Ukraine conflict, Russia's foreign trade was sanctioned by Western countries, and Russia could only turn its attention to China. The trade between China and Russia has been on a steady upward trend in the past decade. After the outbreak of the Russia-Ukraine conflict, the volume of trade between the two countries has increased even more rapidly.

In 2020, due to the COVID-19 pandemic, trade between China and Russia was hit hard.

In the recovery stage of the pandemic in 2021, the trade volume reached 146.8 billion US dollars, increasing by 36.4% year-on-year, thanks to the increase in energy exports and the synergy of the supply chain.

After the outbreak of the Russia-Ukraine conflict in 2022, trade between China and Russia has grown at an accelerated pace, reaching 190.27 billion US dollars, an increase of 29.5% year-on-year. In 2023, the total trade volume between China and Russia surpassed 240.11 billion US dollars for the first time in history, increasing by 26.3% year-on-year.

## **2.2 Import and Export Products and Industrial Scale**

The product structures exported by the two countries in China-Russia trade are quite different. Russia's exports to China mainly consist of energy products, minerals and raw materials, and agricultural products. Among them, energy products account for more than 70% of exports to China, mainly including oil, natural gas, coal, etc. The China-Russia Eastern Gas Pipeline (Power of Siberia 1) has cumulatively transported 30 billion cubic meters of gas. Fluctuations in energy prices and Western sanctions have prompted Russia to increase its energy supply to China, while China has supported the Russian economy with stable demand. China's exports to Russia mainly consist of mechanical and electrical products and electronic products, high value-added industrial products, as well as consumer goods and daily necessities. In the first half of 2023, Chinese smartphones accounted for 79% of the Russian market share, and the sales volume of automobiles reached 168,000 units. The market share increased from 10.6% to 46%.

## **2.3 Description of Reasons**

After the Russia-Ukraine conflict, the proportion of energy products in Russia's exports to China has remained high (over 70%). This phenomenon is the combined result of geopolitical games, market demand adaptability, economic rational choices and the deepening of strategic cooperation. First of all, Western sanctions have forced Russia to restructure its export market. After the conflict broke out, the United States and Europe imposed an energy embargo, financial blockade and technology supply cut-off on Russia, resulting in a significant contraction of Russia's energy exports to Europe. For instance, in 2023, Russia's pipeline natural gas supply to Europe declined by 66% year-on-year. Meanwhile, as one of the world's largest energy importers, China has become a strategic alternative market for Russia's energy exports. By accelerating the "eastward shift" of energy, Russia has filled the gap in the European market. In 2023, its pipeline natural gas exports to China increased by 25%, and its crude oil exports rose by 3%. The China-Russia Eastern Gas Pipeline has cumulatively transported over 30 billion cubic meters of gas. Energy exports have become a core pillar for Russia to maintain economic stability (oil and gas revenue accounts for 41.6% of Russia's fiscal revenue). Secondly, China's energy security demands form a deep complementarity with Russia's supply. In China's energy consumption structure, oil and gas account for nearly 30%. In 2023, China's oil imports reached 510 million tons, and its natural gas imports increased by 8.6% year-on-year. Meanwhile, Russia's ESPO light crude oil and pipeline natural gas, due to their low transportation costs and stable supply (via the China-Russia crude oil pipeline and the "Power of Siberia" pipeline), have become important sources for ensuring China's energy security. Especially after the Russia-Ukraine conflict intensified the fluctuations in the global energy supply chain, China has expanded its imports from Russia (for instance, in 2023, China's natural gas exports to China accounted for 17.3% of its total imports), reduced its reliance on high-politically risk regions such as the Middle East and Africa, and built a diversified supply system. Thirdly, Russia's energy pricing strategy and infrastructure advantages enhance trade stickiness. To attract long-term purchases from China, Russia exports energy at prices lower than the market rate (such as 20% lower than the agreed price of natural gas), and at the same time, it relies on the mature cross-border pipeline network between China and Russia (such as the China-Russia Eastern Gas Pipeline and the China-Mongolia-Russia Pipeline project) to reduce logistics costs. Compared with India, which relies on sea transportation, the ESPO crude oil received by China through land pipelines has higher transportation efficiency and lower risks. In addition, the energy cooperation projects between China and Russia are of a long-term nature. For instance, the "Power of Siberia 2" pipeline is expected to have an annual gas transmission capacity of 50 billion cubic meters after its opening in 2030, further locking in the scale of energy trade. Fourth, financial settlement innovation avoids the risk of sanctions. To address the constraints of the US dollar system, China and Russia have promoted local currency settlement. In 2023, the proportion of RMB settlement in bilateral trade has increased to over 65%. Relying on China's Cross-border Payment System (CIPS), they bypass SWIFT restrictions to ensure smooth capital flows. This mechanism not only reduces the risk of exchange rate fluctuations but also enhances the autonomy of energy trade. For instance, in 2023, 70% of Russia's energy export earnings to China were settled in RMB. The deeper economic complementarity has consolidated the core position of energy trade. Russia relies on energy exports to maintain its fiscal revenue, while China reduces industrial production costs by importing low-priced energy and feeds back to the Russian market with industrial products such as mechanical and electrical products and automobiles, thus forming a trade cycle of "energy for manufacturing". For instance, in 2023, China's auto exports to Russia increased by 46.9%, with a market share of 46%, while Russia's exports of copper ore and aluminum products to China rose by 25% to 26%. This two-way dependence makes energy trade the cornerstone of economic synergy between the two sides. Despite structural imbalances (such as an excessively high proportion of energy) and external challenges (such as the impact of secondary sanctions from the West on payments), energy cooperation is difficult to replace in the short term.

China's exports to Russia are dominated by mechanical and electrical products, electronic products, high value-added industrial products, consumer goods and daily necessities. During this process, significant market breakthroughs have been achieved in smart phones and automobiles. This phenomenon is the result of the combined effects of geopolitical changes, industrial chain complementarity, market demand adaptability and innovation in China-Russia cooperation mechanisms. Firstly, after the Russia-Ukraine conflict, the West imposed comprehensive sanctions on Russia, which disrupted its traditional supply chain, especially blocking the import of high-tech products, automobiles and auto parts and other industrial goods. However, as a global manufacturing center, China quickly filled the gap with its complete industrial chain and production capacity advantages. For instance, in 2023, China's exports to Russia reached 110.97

billion US dollars, with mechanical and electrical products accounting for over 50%, including smart phones, automobiles, and mechanical equipment, directly replacing the market vacuum left by the withdrawal of brands from Europe, the United States, Japan, and South Korea. China's exports to Russia are dominated by mechanical and electrical products, electronic products, high value-added industrial products, consumer goods and daily necessities. During this process, significant market breakthroughs have been achieved in smart phones and automobiles. This phenomenon is the result of the combined effects of geopolitical changes, industrial chain complementarity, market demand adaptability and innovation in China-Russia cooperation mechanisms. Firstly, after the Russia-Ukraine conflict, the West imposed comprehensive sanctions on Russia, which disrupted its traditional supply chain, especially blocking the import of high-tech products, automobiles and auto parts and other industrial goods. However, as a global manufacturing center, China quickly filled the gap with its complete industrial chain and production capacity advantages. For instance, in 2023, China's exports to Russia reached 110.97 billion US dollars, with mechanical and electrical products accounting for over 50%, including smart phones, automobiles, and mechanical equipment, directly replacing the market vacuum left by the withdrawal of brands from Europe, the United States, Japan, and South Korea. The automotive sector is even more prominent. In 2023, China's auto exports to Russia increased fivefold to approximately 800,000 units. Brands such as Chery and Haval have captured 46% of the market share by virtue of their high cost performance (with prices 20% to 30% lower than those of European and American brands) and rapid delivery capabilities (with goods arriving within three weeks by the China-Europe Railway Express). The domestic auto production capacity in Russia has plummeted from 1.5 million units to 600,000 units due to sanctions, further intensifying the reliance on Chinese products. Furthermore, the deepening of cooperation between logistics and finance has provided support for trade growth. The China-Europe Railway Express undertakes 90% of the transportation of high value-added products between China and Russia. In 2023, the export volume of automobiles increased by 25.6 times year-on-year. The efficiency and stability of railway transportation far exceed those of traditional sea transportation. Meanwhile, China and Russia have promoted local currency settlement, with the proportion of RMB settlement increasing to over 65%. They have relied on China's Cross-border Payment System (CIPS) to avoid the risk of US dollar sanctions, reducing transaction costs and the impact of exchange rate fluctuations. In terms of market demand adaptability, Chinese products not only fill the supply chain gaps caused by sanctions, but also enhance their competitiveness through localization improvements. For instance, Chinese automakers have optimized battery performance and chassis anti-rust technology in response to the severe cold climate in Russia, and established after-sales networks there (for example, Chery has set up 300 service centers). Meanwhile, smartphones are compatible with the Russian navigation system and integrate local payment functions, enhancing consumer trust. Deeper economic complementarity has also promoted the optimization of the trade structure. Russia's energy exports to China account for over 70% of its total exports, while China feeds back to the Russian market with industrial products, creating a circular model of "energy for manufacturing". In 2023, Russia's natural gas exports to China increased by 25%, and its oil exports rose by 3%. Meanwhile, China further strengthened its export capacity by stabilizing energy imports to ensure industrial production capacity. Despite the imbalance in trade structure (Russia's exports are mainly energy, while China's are mainly industrial products) and logistics bottlenecks (such as insufficient capacity of the Far East Railway), the two sides have continuously optimized trade resilience through diversified cooperation (such as green energy and digital economy) and regional integration (the alignment of the Belt and Road Initiative with the Eurasian Economic Union).

## 2.4 Summary

After the Russia-Ukraine conflict, the rapid growth and structural adjustment of trade between China and Russia are the result of the combined effect of geopolitical pressure, economic complementarity and strategic coordination. The comprehensive sanctions imposed by the West on Russia have led to a sharp contraction in its traditional energy market, especially in Europe, forcing Russia to accelerate its "eastward turn". As the world's largest energy importer, China has become a key alternative market. Energy trade not only fills the income gap caused by the collapse of the European market in Russia, but also becomes an important pillar of China's energy security. The stable pipeline supply from Russia, such as ESPO crude oil and Siberian natural gas, has reduced China's reliance on energy from high-risk areas. Smartphones (such as Xiaomi and Honor) have replaced withdrawn European and American brands with a market share of 79%. This transformation is attributed to the supply chain vacuum caused by Western sanctions and the rapid response capability of China's industrial chain. China and Russia have strengthened their synergy through a complementary model of "energy for manufacturing": Russia exchanges low-cost energy (such as the agreed price of natural gas being lower than the European benchmark) for Chinese industrial products, while China has quickly captured the market by virtue of its cost-performance advantage (20%-30% lower car prices), localized adaptation (such as anti-freezing technology and pre-installation of local applications in Russia), and efficient logistics (delivery by the China-Europe Railway Express within three weeks). The innovation of the cooperation mechanism between the two sides further promotes the improvement of trade resilience. In the financial field, the proportion of RMB settlement exceeds 65%. Relying on the CIPS system, it bypasses the SWIFT restrictions and reduces the risk of sanctions. At the logistics level, the China-Europe Railway Express undertakes 90% of the transportation of high value-added products, and the pipeline network and Arctic shipping routes enhance the efficiency of energy transmission. However, bottlenecks such as the imbalance in trade structure (excessive proportion of energy), the interference of secondary sanctions from the West on payments, and the insufficient railway capacity in the Far East still need to be broken

through. In the future, China and Russia plan to promote diversification through the "Power of Siberia 2" pipeline (with an annual gas transmission capacity of 50 billion cubic meters), green energy cooperation (wind power, energy storage), and technological synergy (5G, electric vehicles), but in the short term, energy will remain the "ballast stone". This evolution is not only a passive adjustment under geopolitical pressure, but also an active choice made by both sides based on strategic mutual trust. Russia maintains economic stability by binding its energy supply to the Chinese market, while China takes the opportunity to optimize its energy layout and expand industrial product exports, providing a "de-westernization" model for the global supply chain reconstruction and laying the foundation for long-term collaboration between the two countries in a complex international environment.

### **3 PROBLEMS EXISTING IN CHINA-RUSSIA TRADE UNDER THE BACKGROUND OF THE RUSSIA-UKRAINE CONFLICT**

#### **3.1 Internal Issues**

First of all, the problems of the simplification of the trade structure and the imbalance of market dependence are significant. China-russia trade remains highly concentrated in energy and primary products. In 2024, energy and raw materials will account for more than 75% of China's imports from Russia. Among them, natural gas imports will increase by 25% year-on-year, and crude oil imports will account for 35% of China's total imports. China's exports to Russia mainly consist of mechanical and electrical products (accounting for 60%) and automobiles (1.16 million units will be exported in 2024, accounting for 50% of the Russian market). This "energy for industrial products" model, although accelerating its formation under Western sanctions, implies vulnerability: on the one hand, fluctuations in international energy prices directly affect Russia's export earnings to China (for instance, the global energy price drop in 2023 once led to a sharp decline in Russia's energy export earnings); On the other hand, there is a gap between Chinese mechanical and electrical products and those from the West in terms of technical standards and brand premiums. Due to the additional tariffs imposed by Russia under its "Import Substitution 2.0" plan (such as raising the tariff on construction machinery from 10% to 25%), the profits of some mechanical products have shrunk by 30% for enterprises like Sany Heavy Industry. What is more alarming is that the "passivity" of Russia's energy dependence on China has intensified the pricing game. For instance, in 2024, Russia demanded that the RMB be settled with a preferential exchange rate clause, while China sought long-term low-price contracts. The deadlock between the two sides in the negotiations of the "Power of Siberia 2" pipeline originated from this.

Secondly, the investment field is confronted with institutional barriers and political risks. Although China's direct investment stock in Russia reached 18.9 billion US dollars in 2024, Russia's policies have repeatedly weakened the foundation of cooperation: The revised "Foreign Investment Law in Strategic Industries" in 2023 reduced the foreign shareholding limit from 25% to 15% and required that key mineral projects be controlled by the Russian side, which forced the development of the Sakhalin oil and gas field to restructure its equity structure. Local protectionism has also risen. For instance, in 2024, the Far East region halted Chinese-funded port projects on the grounds of "national security" and instead introduced Indian capital. Meanwhile, the expansion of Russian enterprises in the Chinese market has been hindered. Due to incompatible technical standards and the lack of after-sales networks, the market share of their mechanical equipment in China is less than 0.3%, far lower than that of their German and Japanese competitors. This asymmetric market access restriction reflects the deep-seated contradiction between the protection and opening up of strategic industries in the two countries.

Thirdly, the stability of financial cooperation is constrained by the flaws in the settlement system and policy fluctuations. Although the proportion of local currency settlement between China and Russia has risen from 28% in 2021 to 65% in 2024, in actual operation, it still relies on the limited connection between the Russian SPFS system and the Chinese CIPS system. As SPFS only covers 78 financial institutions in 12 countries and CIPS has insufficient global participation, 35% of China-Russia trade still needs to be settled in a third country's currency or underground banks in 2024. This not only increases transaction costs but also exposes enterprises to anti-money laundering risks. More importantly, the Central Bank of Russia reduced the proportion of its RMB reserves from 17% to 9% in 2024 and instead increased its holdings of gold and Indian rupees, revealing its cautious attitude towards the internationalization of the RMB and directly undermining financial mutual trust.

Fourth, industrial chain collaboration and technological cooperation have encountered political interference. Under the pressure of sanctions, Russia has been promoting the "Import Substitution 2.0" plan, imposing high tariffs on Chinese industrial products and setting political thresholds for Chinese technology transfer. Huawei's supply of 5G equipment in Russia has been restricted to non-critical nodes due to "data security reviews", and its share has dropped from the expected 40% to 12%. Russia's legislation restricts the application of Chinese drones in the military field, but demands access to Beidou navigation and quantum communication technologies. This double standard of "technological sovereignty" has weakened the depth of cooperation. However, due to the uncertainty of Russian policies, Chinese enterprises have adopted a cautious attitude towards investment in high-tech fields, resulting in cooperation between the two sides in areas such as semiconductors and artificial intelligence falling far short of expectations.

Fifth, the weak implementation of regional cooperation and the emergence of differences in geopolitical interests. Despite the signing of multiple Far East development agreements between China and Russia, the actual progress has been slow: the "Binhai 2" transport corridor, which was planned to carry 15 million tons of freight in 2024, has only completed 6.2 million tons. Due to the low railway capacity and customs efficiency of the Russian side, goods have

been piled up at the ports in Northeast China. Agricultural cooperation has also suffered setbacks. In 2023, Russia reclaimed the right to use 120,000 hectares of farmland from Chinese-funded enterprises on the grounds of "food security", causing losses of over 800 million US dollars for COFCO Group and others. Instead, the land was allocated to local oligarchs, highlighting the lack of contractual spirit. Geographically, Russia supports India's accession to the Arctic Council and tacitly allows Vietnam to expand oil and gas exploration in the South China Sea. Meanwhile, China has signed an agricultural product agreement with Ukraine and is promoting "third-party market cooperation" in Central Asia. The "hedging strategies" of both sides have intensified competition in infrastructure projects in Central Asia. Finally, non-tariff barriers and cultural cognitive differences intensify frictions. Russia will implement a "green barrier" in 2024, imposing special taxes on Chinese steel and chemical products on the grounds of carbon emissions. China has launched an anti-dumping investigation into Russian potash fertilizer, and trade frictions have spread from commodities to regulatory areas. Cultural differences have also led to commercial disputes. In 2024, Russia seized over 2,000 batches of Chinese goods with "substandard labels", while Chinese importers complained about the strict quarantine standards for Russian agricultural products, reflecting the absence of mutual recognition of standards and regulatory coordination mechanisms.

In conclusion, the "extraordinary growth" of China-Russia trade against the backdrop of conflicts has masked systemic risks. Its essence is passive complementarity driven by geopolitical crises rather than active integration under market logic. If the structural contradictions cannot be resolved through measures such as establishing a diversified trading system, improving the investment protection mechanism, deepening the interconnection of financial infrastructure, and building a framework of mutual trust in technological cooperation, the current cooperation model may face greater challenges along with the evolution of the international pattern. As the Special Representative of the Russian President, Titov, put it, "looking eastward" is a necessity for survival, but how to transform this "necessity" into a sustainable "win-win" situation still requires greater breakthroughs in strategic mutual trust and interest coordination between the two countries.

### 3.2 External Factors

First of all, Western sanctions and geopolitical games constitute the core external pressure. Since the conflict broke out in 2022, the United States and its Allies have imposed over 18,000 sanctions on Russia, covering areas such as energy, finance, technology and military, forcing Russia to accelerate its "Look East" strategy and shift the focus of its energy exports to the Asian market. In 2024, Russia's share of energy exports to China will rise to 35%, and the volume of natural gas pipeline transportation will increase by 40%. Although this forced reliance has pushed the bilateral trade volume to 244.8 billion US dollars in the short term, it has also intensified the competition between China and Russia over pricing power and settlement methods. For instance, Russia demands that preferential exchange rate clauses be attached when settling energy trade in RMB, while China attempts to lock in costs through long-term low-price contracts. The deadlock between the two sides in the negotiations of the "Power of Siberia 2" pipeline originated from this. Meanwhile, the United States has attempted to alleviate the pressure of containment against China by dividing relations between China and Russia. However, China and Russia have strengthened strategic mutual trust by deepening energy, military and geopolitical cooperation (such as joint exercises covering land, sea, air and cyberspace), causing the United States' "alliance with Russia to control China" plan to fail.

Secondly, the turmoil in the global energy and food supply chains has reshaped the trade pattern. The conflict has restricted Russia's energy exports to Europe, causing sharp fluctuations in global energy prices. The decline in energy prices in 2023 led to a sharp drop in Russia's energy revenue from China, forcing China to adjust its import strategy to balance costs and security. Meanwhile, the decline in Ukraine's production capacity as a major global granary has pushed up international grain prices. Although China has alleviated the pressure by expanding its imports of Russian agricultural products (such as wheat and corn), Russia unilaterally reclaimed the right to use 120,000 hectares of farmland from Chinese-funded enterprises in 2023 on the grounds of "food security", revealing its tendency towards resource nationalism and undermining the stability of agricultural cooperation between China and Russia. In addition, the restrictions imposed by the West on Russian shipping insurance and payment channels have forced Sino-Russian trade to shift towards non-mainstream settlement methods. In 2024, 35% of transactions still need to be completed in the currency of a third country or underground banks, increasing transaction costs and compliance risks.

Thirdly, the policy differences between the United States and Europe and the rift in the Trans-Atlantic Alliance have created a strategic window. The Trump administration of the United States resumed contact with Russia in 2025 and unilaterally adjusted its policy towards Ukraine (such as opposing Ukraine's accession to NATO and reducing military aid), which intensified the conflicts between the United States and Europe. Under security anxiety, Europe is accelerating the process of strategic autonomy. France is promoting the establishment of a European nuclear umbrella, and Germany is calling for strengthening its domestic defense. This trend of "de-Americanization" provides an opportunity for China and Russia to divide the West. However, the EU's policy towards China remains contradictory: on the one hand, it restricts Chinese investment under the pretext of "national security"; on the other hand, it is forced to seek cooperation with China due to the threat of US tariffs and the energy crisis. For instance, in 2024, European Commission President Ursula von der Leyen expressed her hope to expand trade with China, and the resumption of negotiations on the China-Eu Investment Agreement was put on the agenda. The volatility of this external environment forces China and Russia to deal with Europe's dual-track strategy of "relying on China for the economy and doubting China for security" while deepening cooperation.

Fourth, the competition between the international financial system and technology intensifies the uncertainty of cooperation. After the West excluded Russia from the SWIFT system, China and Russia have pushed the proportion of local currency settlement to rise from 28% in 2021 to 65% in 2024. However, the connection between Russia's SPFS system and China's CIPS system still faces technical bottlenecks and coverage limitations (SPFS only connects 78 financial institutions in 12 countries), resulting in low settlement efficiency. What is more serious is that the Central Bank of Russia will reduce the proportion of RMB reserves from 17% to 9% in 2024 and instead increase its holdings of gold and Indian rupees, reflecting its reserved attitude towards the process of RMB internationalization and weakening the foundation of financial mutual trust. In the field of science and technology, the United States, in collaboration with its Allies, has imposed export controls on key technologies such as semiconductors and artificial intelligence on China and Russia, forcing Russia to impose additional tariffs on Chinese industrial products under its "Import Substitution 2.0" plan (for instance, raising the tariff on construction machinery from 10% to 25%). Meanwhile, Chinese enterprises' technology transfer to Russia is also subject to political barriers such as "data security reviews". Huawei's share of 5G equipment in Russia has dropped from the expected 40% to 12%.

Finally, the reconstruction of multi-polar order and the competition of regional powers test strategic determination. Russia has been actively expanding its "non-Western circle of friends" to break through sanctions. It has signed a defense agreement with North Korea and deepened economic and trade cooperation with Vietnam. Although this diversified diplomacy has alleviated the pressure of isolation, it has dispersed its resource investment in China. Meanwhile, the United States has strengthened NATO's cohesion through military aid to Ukraine (with a cumulative total of over 170 billion US dollars). By 2024, the average military expenditure of NATO member states will account for 2% of their GDP. This militarization trend has forced China and Russia to enhance cooperation between the SCO and BRICS mechanisms to build a "de-Western-centered" multilateral system. However, Russia's "hedging strategy" of supporting India's accession and tacitly allowing Vietnam's activities in the South China Sea at the Arctic Council, as well as China's competition in infrastructure projects in Central Asia, have revealed the potential differences in geopolitical interests between the two countries..

#### **4 THE DEVELOPMENT PROSPECTS OF CHINA-RUSSIA TRADE**

The rapid growth of trade between China and Russia is highly dependent on the one-way flow of energy and primary products. Although this "energy for industrial products" model has formed short-term interest bindings under the sanctions environment, it implies multiple risks: On the one hand, fluctuations in international energy prices directly affect Russia's export earnings to China; On the other hand, there is a gap between Chinese mechanical and electrical products and those from the West in terms of technical standards and brand premiums. Due to the additional tariffs imposed by Russia under its "Import Substitution 2.0" plan (such as raising the tariff on construction machinery from 10% to 25%), the profits of some mechanical products have shrunk by 30% for enterprises like Sany Heavy Industry. What is more alarming is that the "passivity" of Russia's energy dependence on China has intensified the pricing game. For instance, in 2024, Russia demanded that the RMB be settled with a preferential exchange rate clause, while China sought long-term low-price contracts. The deadlock between the two sides in the negotiations of the "Power of Siberia 2" pipeline originated from this. The interdependent trade relationship between China and Russia that emerged under external pressure from the West has given rise to Russia's intention to adjust its trade strategy. Russian scholars have proposed the idea of "reducing the discount on exports to China", attempting to leverage the pressure of tariffs on US agricultural products to enhance bargaining power. However, the actual constraints are obvious: Most of the energy and agricultural product transactions between China and Russia are based on long-term contracts, and Russia cannot unilaterally raise prices. Moreover, China has always maintained a diversified supply chain (such as signing an agreement with Ukraine on the export of peas and aquatic products to China in 2024). Meanwhile, the long-term implementation of sanctions by the US and Europe has deepened financial cooperation between China and Russia. The proportion of local currency settlement has risen from 28% in 2021 to 65% in 2024. However, there are still technical bottlenecks in the connection between Russia's SPFS system and China's CIPS system (SPFS only covers 78 financial institutions in 12 countries). This leads to 35% of China-Russia trade having to be settled in the currency of a third country or underground banks, increasing transaction costs and compliance risks. What is more serious is that the Central Bank of Russia will reduce the proportion of RMB reserves from 17% to 9% in 2024 and instead increase its holdings of gold and Indian rupees, reflecting its cautious attitude towards the internationalization of the RMB. The pressure of sanctions has forced China and Russia to explore new paths for industrial chain collaboration. Although Russia's "Import Substitution 2.0" plan has imposed tariffs on Chinese industrial products, the reconstruction of its domestic manufacturing industry still relies on Chinese technological equipment. For instance, Huawei's supply of 5G equipment in Russia has been restricted to non-critical nodes due to "data security reviews", with its share dropping from the expected 40% to 12%. However, technological cooperation in areas such as the Beidou Navigation system and quantum communication continues to advance. The cooperation between the development of the Far East and the Arctic shipping routes has become a new growth point, but the problem of low implementation efficiency is prominent: the freight volume of the "Binhai 2" international transport corridor jointly built by China and Russia only completed 41% of the plan in 2024, and the problems of Russian railway capacity and customs efficiency have led to the accumulation of goods at the ports in Northeast China. Agricultural cooperation has been repeatedly frustrated by Russia's policies. In 2023, Russia reclaimed the right to use 120,000 hectares of farmland from Chinese-funded enterprises on the grounds of "food security", causing losses of over 800 million US dollars for COFCO Group and others, highlighting the lack of

contractual spirit. The sustainable development of China-Russia trade needs to break through three bottlenecks: First, build a diversified trading system and reduce energy dependence (such as expanding cooperation in emerging fields like hydrogen energy and quantum computing); Second, improve the institutional cooperation framework, including establishing an investment protection mechanism, a standard mutual recognition system and a dispute settlement platform; Third, we will deepen the interconnection and interoperability of financial infrastructure, promote the full integration of SPFS and CIPS systems, and reduce reliance on third-party settlement channels. Although the Russian elite has doubts about "excessive reliance on China", under the pressure of reality, their strategic options are limited: if the sanctions from the United States and Europe are partially lifted, Russia may try to explore emerging markets such as India and Turkey, but their infrastructure and payment capacity are difficult to replace the Chinese market. For China, it is necessary to deepen cooperation with Russia while strengthening the resilience of the supply chain, diversify risks through "third-party market cooperation", and seize the window period of strategic differences between the US and the EU (such as the EU's increased intention to cooperate with China due to US tariff pressure) to expand the space for diversified diplomacy.

To sum up, in the post-conflict era, China-Russia trade is confronted with both historic opportunities and structural challenges. If both sides can be guided by the framework of the "New type of major country relationship" and upgrade the cooperation model through institutional innovation, technological synergy and interest coordination, it is expected to turn the cooperation potential of 600 billion US dollars into reality. Conversely, if short-term interest games are allowed to erode strategic mutual trust, the current growth model may struggle to withstand the stress test of the evolution of the international landscape. As the Special Representative of the Russian President, Titov, put it, "looking eastward" is a necessity for survival, but to transform it into a sustainable win-win situation still requires strategic wisdom that transcends the drive of geopolitical crises.

## 5 CONCLUSION

Under the backdrop of the Russia-Ukraine conflict, the sanctions imposed on Russia by Western countries have gradually drawn it closer to China. As the trade frictions between China and the United States have intensified, China also needs a gap to export. China and Russia hit it off immediately, and the trade between the two countries has further developed. China has always been a major importer of Russian energy. Against the backdrop of the Russia-Ukraine conflict, Many international companies have withdrawn from the Russian market one after another, and China has become an important source of imports for Russia. In the post-conflict era, China-Russia trade is confronted with both historic opportunities and structural challenges. If both sides can be guided by the framework of the "New type of major country relationship" and upgrade the cooperation model through institutional innovation, technological synergy and interest coordination, it is expected to turn the cooperation potential of 600 billion US dollars into reality. Conversely, if short-term interest games are allowed to erode strategic mutual trust, the current growth model may struggle to withstand the stress test of the evolution of the international landscape. As the Special Representative of the Russian President, Titov, put it, "looking eastward" is a necessity for survival, but to transform it into a sustainable win-win situation still requires strategic wisdom that transcends the drive of geopolitical crises. The development of trade between China and Russia was full of difficulties but eventually bright.

## COMPETING INTERESTS

The authors have no relevant financial or non-financial interests to disclose.

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