China and Russia Closer Than Ever

CONNECTIVES
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Even as Russian forces mobilized along Ukraine's border in early 2022, President Vladmir Putin and President Xi Jinping declared their commitment to their "no limits partnership."[1] Since that time, China's apparent military and financial neutrality has been uncovered to reveal ever-increasing military, economic, and financial support of Russia.[2] The isolation by western countries of Russia and China, along with Iran and North Korea, appears to be driving US adversaries closer together.[3]

As President Trump prepares to meet with President Xi on the sidelines of the APEC Summit in South Korea on October 31 and November 1st, the deepening ties between Russia and China make a US-China grand bargain much more challenging.

Since Russia's invasion into Ukraine, China has steadily increased its support of Russia's military.[4] Russian troops are training Chinese paratroopers.[5] A Chinese vessel has been linked to sabotage of undersea communication cables in European waters.[6] And joint Russian and Chinese aerial and naval exercises are at historic highs.[7] And despite official bans on export of drones and drone parts to Russia, there appears to be evidence that Chinese drone parts and engines are being used in Russian drones attacking Ukraine.[8]

[1] Source: CSIS, R. Berg et al., "Assessing the Impact of China-Russia Coordination in the Media and Information Space," August 5, 2025.

[2] Source: Wall Street Journal, A. Ramzy, "See How Xi and Putin Are Ramping Up Military Drills," February 2, 2025.

[3] Ibid

[4] Source: Financial Times, C. Clover, "Russia Is Helping Train China's Paratroopers, Leaked Files Show," September 26, 2025.

[5] Ibid.

[6] Source: CSIS, C. Murphy, "China's Underwater Power Play: The PRC's New Subsea Cable Cutting Ship Spokes International Security Experts," April 4, 2025.

[7] Source: Wall Street Journal, A. Ramzy, "See How Xi and Putin Are Ramping Up Military Drills," February 2, 2025.

[8] Source: CSIS, M. Srigovaya let al, " CRINK Economic Ties in Uneven Patterns of Collaboration," September 30, 2025.

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Meanwhile, China and Russia's economic and financial ties continue to deepen. Chinese financial regulators and Russian energy company officials met recently to discuss capital raising in China's bond markets.[9] Russian energy companies will be allowed to issue bonds denominated in the Chinese renminbi.[10] In September Russia's state owned nuclear company Rosatom announced it is preparing to sell "Panda" bonds to raise capital in China's bond market.[11] Other Russian national champions like Gazprom are expected to issue Panda bonds later this year.

Both the Central Bank of Russia and the Peoples Bank of China are using the Cross-Border Interbank Payment System to move renminbi and rubles outside of SWIFT, the US dollar denominated global payment system. Since 2022, the two central banks have signed swap agreements, and according to the IMF, the Russian central bank has increased its holdings of renminbi by 17%.[12] Today, one-third of Russian trade is settled in renminbi.[13]

Russia and China have agreed to the construction of a second natural gas pipeline called Power of Siberia 2. The pipeline, which would transport 50 billion cubic meters of natural gas a year to China, could fundamentally reshape global energy markets. The pipeline would represent a physical manifestation of China's increasing diplomatic independence from the west; defying the embargo on Russia's energy exports.[14] In signing the agreement with Russia, China appears willing to challenge the US more directly.[15] With China representing both the world's second largest economy and second largest stock market, for institutional investors, geopolitics may be increasingly important if China continues to go its own way.[16]

[9] Source: Financial Times, C. Leng, "China Paves Way for Renminbi Fundraising Russian Energy Giants, September 7, 2025.

[10] Ibid.

[11] Source: Financial Times, A. Slognei, "Russia's Rosatom Prepares Sale of Renminbi Bonds in China," September 8, 2025.

[12] Source: CSIS, M. Srigovaya et al, "CRINK Economic Ties: Uneven Patterns of Collaboration, September 2025.

[13] Ibid.

[14] Source: Financial Times, T. Mitrova, "A New Russia-China Gas Pact Could Reshape Global Energy Markets," September 4, 2025.

[15] Source: Wall Street Journal, Y. Trofimov, "Chinese, Russian, and Indian Leaders Pledge Cooperation, In a Message to Trump," September 1, 2025.

[16] Source: Financial Times M. El-Erian, "The Influence of Geoeconomics is Growing," September 28, 2025.

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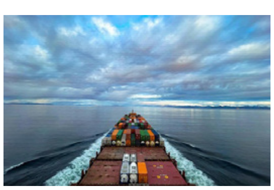

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