BRICS JOURNAL OF ECONOMICS
DOI 10.3897/brics-econ.6.e145598
2025 Volume 6 Number 3

Analysis of the sectoral structure of foreign direct investment between the Russian federation and the People's Republic of China

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Academic editor: Kapoguzov E. | Received 30 December 2024 | Accepted 18 April 2025 | Published 18 August 2025

Citation: Zhirikov, V. (2025). Analysis of the sectoral structure of foreign direct investment between the Russian federation and the People's Republic of China. In: Kuchinskaya T, Limei S, Steblyanskya A (Eds). Trans-borderness in a New Era: Integration, Identities and Cooperation for Sustainable Development. *BRICS Journal of Economics, 6*(3), 31–45. https://doi.org/10.3897/brics-econ.6.e145598

Abstract

The study analyzes the transformation of the sectoral structure of foreign direct investment between Russia and China from 2014 to 2024 in the context of the «Turning to the East» policy and the changing dynamics of the global geopolitical situation. Using a comprehensive methodological approach, it carries out statistical analysis of the dynamic series of investment flows, structural analysis of the sectoral distribution of investment and qualitative analysis of institutional changes in investment cooperation. The empirical base consists of official statistical data, reports from expert analysis centres and materials provided by relevant government agencies in both countries. The results reveal the following dramatic shifts in the structure of Chinese FDI in the Russian economy: the shares of the extractive and agricultural sectors grew from $796.0 to $6215.3 million and from $2099.7 to $3256.4 million, respectively, while the share of manufacturing fell from 30% to 12.2%. A three-tier investment structure has emerged, dominated by the natural resources sector (over 40%). There has been a 54-fold increase in investment in high-tech sectors, although their share remains modest. The paper argues that the structural changes in investment cooperation were caused, first, by the Western sanctions against Russia after 2014, second, by China's growing need for Russian energy resources and raw materials and, third, by the desire of Chinese investors to minimize risks by working with influential Russian elites. The cautious attitude of Chinese investors towards Russia's high-tech sectors is explained by the risks of secondary sanctions, the technological gap between the

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countries and institutional barriers in Russia. Key obstacles include weak transport and logistics infrastructure in the Russian Far East, an opaque business climate, and the two countries' diverging investment priorities. A new interaction model is emerging, prioritizing raw materials, agribusiness, and state-backed projects, while manufacturing is becoming less attractive.

Keywords
geopolitical transformation, investment cooperation, sectoral structure, foreign direct investment, sectoral shifts, technological partnership, economic integration, energy sector.

JEL: F21, F23, P33, O53, Q40, R11.

Russian-Chinese investment cooperation has deep historical roots that date back to the signing of the first Treaty on Good-Neighborliness, Friendship and Cooperation between the Russian Federation and the People's Republic of China in 2001. In the first decade of the 21st century, major joint projects were implemented in the energy sector, including the construction of the Skovorodino-Mohe oil pipeline; a joint venture for the production of Haier household appliances was established in Tatarstan, and cooperation in the automotive industry developed through Great Wall Motors projects in the Tula region. By 2010, the amount of accumulated mutual investments had exceeded $2.5 billion, providing a solid foundation for further expansion of economic cooperation.

A qualitatively new stage in the development of investment cooperation began with the signing in 2012 of a Memorandum of Understanding between the Russian Direct Investment Fund and the China Investment Corporation on the creation of a joint investment fund with a capital of $4 billion. This partnership has helped to diversify investment flows and broaden the sectoral structure of cooperation beyond the traditional areas of energy and extractive industries to include high-tech sectors such as telecommunications, biotechnology and digital technologies.

Russian-Chinese investment cooperation has undergone significant changes since the events of 2014, when the first package of Western sanctions was introduced in March, and then in May at the Shanghai Conference on Interaction and Confidence-Building Measures in Asia, Russian President Vladimir Putin' keynote speech marked a new stage in the development of bilateral relations. Between these events, the prospects for the reorientation of the Russian economy towards the Eastern vector of development were intensely debated; the international community was unable to provide a clear response to the challenges posed by the growing geopolitical tensions (Analytical report and statistical data on foreign trade between Russia and China, 2022).

In the work of Professor M. V. Karpov, The Grandeur and Miseries of Russia's «Turn to the East», which offers a detailed analysis of the features and contradictions of China's investment policy toward Russia, despite growing political alignment, the dynamics of Chinese foreign direct investment (FDI) in Russia remain highly volatile and structurally constrained. Between 2011 and 2017, investment volumes fluctuated significantly, lacking consistent upward momentum or systemic breakthroughs. The aggregate share

of Chinese FDI in Russia represents only a small fraction of China's global investment portfolio, indicating a cautious approach. The geographical concentration of these investments—primarily in the Russian Far East and Eastern Siberia — underscores a strategic but risk-averse posture, largely dominated by resource extraction sectors such as energy, forestry, and metallurgy. Structural limitations on Russia's side, including weak institutional capacity, pervasive corruption, and an unpredictable regulatory environment, continue to impede long-term investment commitments. Furthermore, the prevailing Chinese investment model, which presupposes large-scale deployment of capital and labor, remains largely incompatible with the Russian context. A significant proportion of signed bilateral agreements remain unimplemented, revealing a gap between political declarations and actual economic engagement (Karpov, 2018).

A review of the literature on the Russian-Chinese investment cooperation reveals a significant interest among researchers in analyzing the transformation of bilateral relations after 2014. Works by Russian and foreign authors examine various aspects of the «turn to the East» in Russia's foreign economic policy (Mikheev & Lukonin, 2016) discuss the factors of investment attractiveness of the Russian economy for Chinese investors S. L. Sazonov, Jin and Senyuk N. Y. and analyze the impact of sanctions on the dynamics and structure of Chinese FDI (Senyuk & Sazonov, 2023).

The report «Russian-Chinese Dialogue: the 2023 Model» prepared by the Russian Council on International Affairs, the Institute of China and Modern Asia of the Russian Academy of Sciences, and the Institute of International Studies at Fudan University, deserves special attention. The paper provides a comprehensive analysis of the current state and development prospects of Russian-Chinese relations in various fields, including investment cooperation. Its authors see considerable potential for expanding mutual investment, particularly in high-tech sectors and infrastructure development projects (Babaev, Kortunov, 2023).

In the «Russia–China report: challenges and solutions of economic cooperation» (Kuznetsov, 2024) experts from the National Coordination Center for International Business Cooperation, the Institute of China and Modern Asia of the Russian Academy of Sciences, and the Russian-Asian Business Council analyze the main barriers and constraints to the development of bilateral economic relations, and offer practical recommendations for overcoming them. The report emphasizes the need to improve the investment climate and create favorable institutional conditions for attracting Chinese investment in priority sectors of the Russian economy.

Kluge's research on the Russia-China Economic Relations published by the German Institute for International Policy and Security, focuses on the risks of Russia's excessive dependence on the Chinese economy in conditions of limited access to Western capital and technology markets. To reduce its vulnerability to possible changes in China's strategic priorities, Russia should diversify its foreign economic relations and develop its own technological potential (Kluge, 2024).

The hypothesis of this study is that the proclaimed doctrine of «Turning to the East» has become a key factor in the transformation of the sectoral structure of Chinese investment in favor of strategically important sectors of the Russian economy, including

the raw materials sector, the agro-industrial complex and high-tech industries. Over the past decade, this approach has proven its viability: more than 600 major federal and regional projects and programmes have been implemented, enabling the two countries to reach a qualitatively new level of partnership, characterized as «cooperation without borders» and a «new era» in relations between Russia and China.

To verify this hypothesis, the article provides a detailed analysis of the dynamics of Chinese FDI in the key sectors of the Russian economy based on official statistics and materials from expert and analysis centers. The structural shifts are considered against the priorities of the national development strategies of Russia and China, as well as with the trends in the transformation of the global economy under the influence of digitalization and geopolitical changes.

The purpose of this study is to identify the key trends and structural shifts in the sectoral distribution of Chinese FDI in Russia between 2014 and 2024, establish the factors and drivers of these changes, and assess potential areas for further development of investment cooperation between the two countries (RBC, 2023).

The importance of analyzing the sectoral structure of foreign direct investment between the Russian Federation and the People's Republic of China lies in the need to assess the пaeffectiveness of the chosen course of «Turning to the East» and identify promising areas for further development of investment cooperation. Over the past decade there have been significant changes not only in the volume of investment flows, but also in their sectoral structure, reflecting both global economic trends and the changes in the priorities of bilateral cooperation between Russia and China in the new geopolitical realities (TASS, 2023).

The study uses an integrated approach combining quantitative and qualitative methods of analysis. The empirical base includes official statistics on mutual FDI between Russia and China, published by the Bank of Russia, the Ministry of Commerce of the People's Republic of China and the Eurasian Economic Commission, and analytical materials from leading research centers and business associations of the two countries. The main methods are statistical analysis of the dynamics and structure of investment flows, comparative analysis of investment priorities of Russia and China, and qualitative analysis of changes in the regulation of bilateral investments (National Bureau of Statistics of China, n.d.).

1. Changes in volumes and directions of Chinese FDI in Russia after 2014

An analysis of the dynamics of foreign direct investment (FDI) from China to Russia in 2014-2024 reveals significant changes in both the volume and geographical structure of investment flows caused primarily by geopolitical changes, the sanctions regime, and structural transformations in the economies of both countries. To understand the scale of the changes, we examine the dynamics of Chinese FDI in the Russian economy (Table 1).

Table 1. Dynamics of Chinese FDI inflows to Russia (2014-2023)

Year	Volume of FDI inflows (USD million)	Growth rate (%)
2014	633,56	-38,0
2015	2960,86	367,3
2016	1293,07	-56,3
2017	1548,42	19,7
2018	725,24	-53,2
2019	-379,23	-152,3
2020	570,32	250,4
2021	-1072,3	-288,0
2022	146,45	113,7
2023	312,64	113,5

Source: compiled by the author based on the data (Report №87 RIAC, 2023).

The analysis of the data presented in Table 1 shows significant volatility of investment flows. Investment inflows peaked in 2015, driven by the signing of a Sino-Russian joint statement on cooperation linking the construction of the Silk Road Economic Belt and the Eurasian Economic Union. Figure 1 shows the geographical distribution of Chinese investments across the federal districts of Russia.

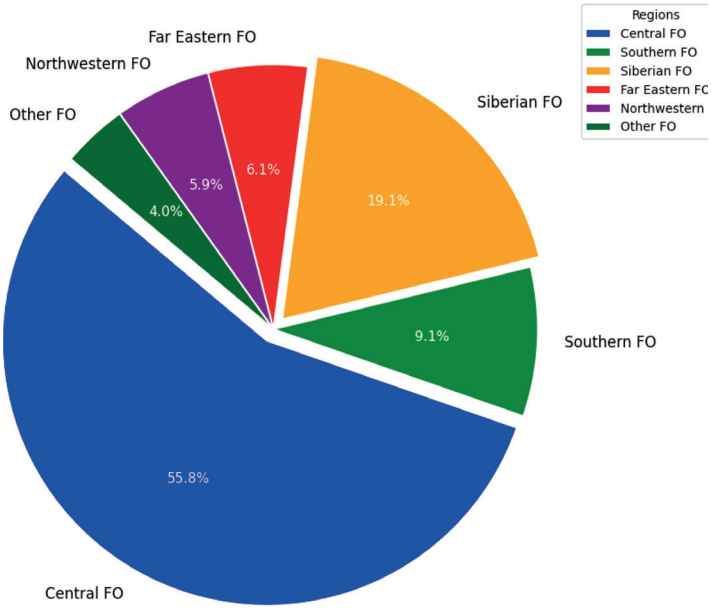

Figure 1. Distribution of Chinese FDI by federal districts of the Russian Federation in 2023 (President of Russia statement, 2023).

The geographical distribution of investments shows a steady concentration in the Central Federal District, explained by infrastructure development and institutional factors. At the same time, the share of the Siberian and Far Eastern Federal Districts in the total volume of Chinese FDI also tends to increase.

The sanctions pressure has had a significant impact on the nature of investment cooperation. According to the Russian-Asian Business Council, the cumulative volume of Chinese direct investment in Russia is $55 billion, which is significantly lower than the level of investment from the United States, Germany and the Netherlands before 2014 (Song, 2019).

Table 2. The impact of sanctions on the structure of Chinese FDI in Russia

Period	Features of investment behavior	Key tendencies
2014-2017	Active growth of investments in the energy sector	Implementation of major infrastructure projects
2018-2020	Diversification of the investment portfolio	Growth of investments in the agro-industrial complex
2021-2024	Cautious investment policy	Focus on projects with minimal sanctions risks

Source: compiled by the author based on the data (Report №87 RIAC, 2023).

Table 2 shows that the sanctions pressure has led to a significant change in the investment behavior of Chinese companies. Since 2014, there has been a trend towards a more cautious approach to selecting investment projects and greater role of government agencies in the investment process.

According to the research of the Institute of China and Modern Asia of the Russian Academy of Sciences, the mechanisms of investment interaction have changed drastically since 2014. Large Chinese companies operating in western markets have significantly reduced their investment activity in Russia, giving way to medium-sized companies focused mainly on the Chinese domestic market. The study shows that the changes in the volume and direction of Chinese FDI in Russia since 2014 have been complex, driven by both external factors, such as sanctions pressure and geopolitical tensions, and internal structural changes in the economies of both countries. At the same time, there is a steady trend towards the regionalization of investment flows and the strengthening of the role of state mechanisms for regulating investment cooperation.

2. Sectoral shifts in the structure of investment cooperation: main recipient industries, priorities of Chinese investors and dominance of the raw materials sector

Analysis of structural changes in the sectoral distribution of Chinese FDI shows significant shifts in investment priorities over a ten-year period.

Table 3. Sectoral structure dynamics of accumulated Chinese FDI in Russia by economic sector, 2014-2024 (USD mln)

Industry	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Mining extraction	796,0	5587,6	6181,9	6591,5	6672,9	5434,6	5650,4	5820,6	6052,3	6215,3	6385,3
Agriculture, forestry	2099,7	2462,9	3006,7	2701,7	3028,6	2831,7	2945,8	3052,4	3186,5	3256,4	3335,2
Manufac turing industries	2747,8	3112,6	1156,6	1574,1	1759,6	1620,8	1685,6	1725,4	1798,2	1842,5	1890,5
Realty	566,4	371,4	371,6	403,5	393,1	312,7	325,2	338,2	352,7	368,4	385,2
Leasing and commercial services	979,1	1315,3	1116,4	924,0	898,6	871,6	906,5	942,7	980,4	1019,6	1060,4
Constrution	274,9	313,0	238,2	297,7	297,8	234,0	243,4	253,1	263,2	273,7	285,2
Wholesale and retail trade	374,8	423,3	405,9	483,7	429,0	367,4	382,1	397,4	413,3	429,8	447,2
Financial activities	762,4	231,0	314,3	495,1	411,8	585,8	645,2	725,6	828,4	892,3	960,5
Energy (production and distribution)	36,5	107,8	64,6	28,0	16,8	22,5	23,4	24,3	25,3	26,3	27,5
Logistics services	23,1	25,6	32,0	79,1	80,3	67,9	70,6	73,4	76,3	79,4	82,6
Research and technology	9,7	36,5	51,6	151,5	142,6	358,9	412,3	456,8	492,4	527,6	615,3
Information technology	15,9	18,1	18,3	111,4	54,1	82,0	85,3	88,7	92,2	95,9	99,8

Source: compiled by the author based on the data (Senyuk, 2023 and Report №94 RIAC, 2024).

Analysis of the sectoral structure of Chinese foreign direct investment in the Russian economy over the period 2014-2024 reveals significant transformations in investment priorities and directions. The extractive sector has seen the most drastic changes, characterized by a sharp increase in investment in 2015 - from $796.0 million to $5587.6 million, a sevenfold increase. The peak value was reached in 2018, when the volume of investments amounted to $6672.9 million, after which there was a relative stabilization of the indicator in the range of $5.4-6.2 million. The agricultural sector shows more systematic development with steady positive dynamics. During the period under review, the volume of investments increased from $2,099.7 million to $3,256.4 million, with a certain cyclicality, peaking in 2016 and 2018 ($3006.7 million and $3028.6 million respectively). The average annual growth rate in this sector is around 5%. Manufacturing, on the other hand, experienced a sharp decline after 2015, when the volume of investment fell from $3112.6 million to $1156.6 million. Despite the subsequent gradual recovery, by 2023 the investment volume reached only $1,842.5 million, a third less than in 2014.

The dynamism of the high-tech sectors deserves particular attention. The most impressive growth was in research and technology, where the volume of investment rose from $9.7 to 527.6 million. This indicates the gradual diversification of the investment portfolio and the growing interest in the development of high-tech industries. At the same time, there remains a clear bias towards extractive industries, whose share in the structure of accumulated FDI exceeded 48.8% by 2023, creating risks of excessive dependence on raw materials for bilateral investment cooperation (Bloomberg, 2023).

Investment in information technology also showed a positive trend, rising from $15.9 million to $95.9 million, with a particularly noticeable increase after 2017. In services, the trends are multidirectional. Financial sector experienced considerable volatility with a general upward trend in recent years. Leasing and commercial services remain relatively stable at $900-1000 million, while logistics services tripled from $23.1 million to $79.4 million.

In 2024, the dynamics of Chinese foreign direct investment in Russia shows steady growth in all key sectors of the economy. Mining continues to dominate, attracting $6385.3 million, an increase of 2.7% over the previous year. Significant development is also observed in agriculture and forestry, where the volume of investments increased by 2.4% to $ 3335.2 million, indicating the growing interest of Chinese investors in the Russian agro-industrial complex (Russia – China trade, n.d.).

The Chinese FDI in Russia is extremely inconsistent. In 2011 it stood at $2 billion; in 2012 it dropped to only $660 million; and in 2013 there was a 518% upsurge to approximately $5 billion. In 2014 there was also a tangible decline to $1.4 billion, and the year 2015 saw something close to a freefall: the data differ from $0,6 to $0,8 billion. In 2016 there was again a rise to approximately $1.5-1.6 billion (Anosova, 2016). According to Beijing's statistics, in 2017 Russia received $3.3 billion more of Chinese FDIs than in 2015. All told, we can see tremendous ups and downs, but no qualitative breakthrough.

There was a 16.7% increase in research and technology investments that reached $ 615.3 million in 2024. This trend reflects the strategic reorientation of Chinese investors towards high-tech sectors, particularly quantum computing and artificial intelligence. The development of alternative payment systems and closer cooperation in national currencies contributed to the steady growth of investment in the financial sector, where it increased by 7.6% to $ 960.5 million (National data of China, 2024).

Despite the ongoing geopolitical challenges and sanctions pressure, investment cooperation between Russia and China continues to deepen, demonstrating a trend towards diversification. Moderate but steady growth is observed in all secondary sectors, including leasing, logistics and information technology, where the increase is around 4%.

The structural analysis of investments for 2024 shows the clear dominance of the commodity sector, which accounts for 41.2% of all investments (Figure 2). Together with agriculture (21.6%), the primary sector attracts almost two thirds of all Chinese FDI. At the same time, the share of manufacturing industries declined sharply, from over 30% in 2014 to 12.2% in 2024.

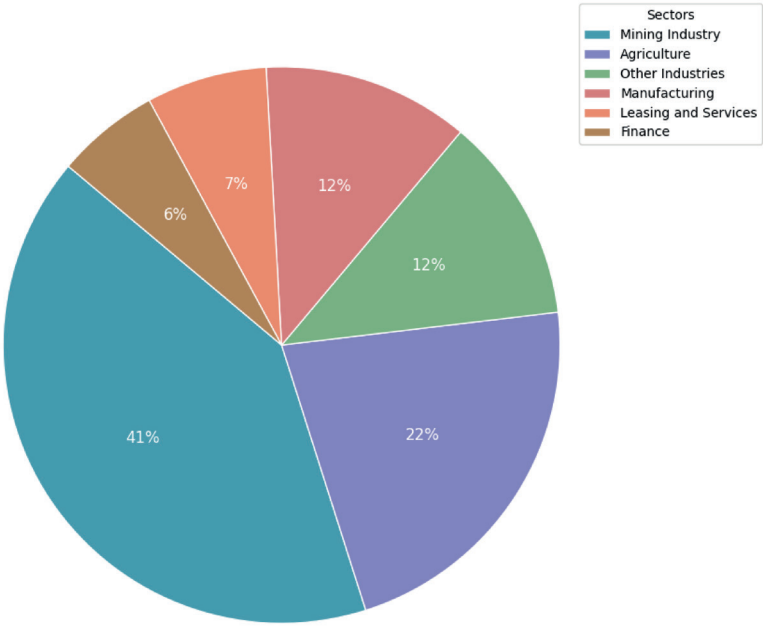

Figure 2. Changing the structure of Chinese FDI in Russia by key sectors (Bank of Russia, n.d.)

As a result of these changes, a clear three-tier structure of Chinese investment has emerged: the dominant raw materials sector (over 40%), the middle tier, including agriculture and manufacturing (30-35%), and the lower tier represented by services and high-tech sectors (25-30%). Current trends indicate the possibility of

further diversification of the investment portfolio towards innovative sectors while maintaining the dominant role of the extractive industry.

3. Current trends and promising areas of investment cooperation

In 2024, the sectoral diversification of Russian-Chinese cooperation continued to increase. According to the National Coordination Center for International Business Cooperation, investment in high-tech sectors reached $615.3 million, which is 16.7% more than in 2023. The growth is particularly noticeable in the field of quantum computing and artificial intelligence, where the volume of joint projects increased by 23.4% compared to the previous year (Kluge, 2024).

Cooperation in the energy sector expanded significantly. In the first quarter of 2024 gas supplies via the Power of Siberia pipeline increased by 32.4% compared to the same period in 2023, reaching 18.3 billion cubic meters. The development of cooperation in the field of renewable energy sources is particularly important: the volume of joint projects reached 4.2 billion dollars in 2024, which is 1.8 times higher than in the previous year.

Investment activity in the agro-industrial complex is also growing. By the beginning of 2024, the total amount of Chinese investments in the Russian agro-industrial complex was $4.1 billion, an increase of 25.8% compared to 2023. The most impressive growth was in the sector of deep processing of agricultural products, where the volume of investments increased by 34.2% to $ 1.8 billion.

Remarkable progress is made in the field of digital technologies and e-commerce in 2024. Cross-border e-commerce between Russia and China reached $8.4 billion, showing an increase of 42.3% compared to 2023. The B2B platform segment is developing particularly fast, with the volume of transactions increasing by 56.7% to 3.2 billion dollars. There was also strong growth in software co-development, with investments of $725 million, an increase of 38.2% over the previous year.

According to the estimates of the National Coordination Center for International Business Cooperation (NCC), the current stage in the development of bilateral investment relations is characterized by a transition from quantitative growth to qualitative structural changes. A new paradigm of cooperation is being formed in the technological sphere. K. V. Babaev, the director of the Institute of China and Modern Asia at the Russian Academy of Sciences, points out that the volume of Chinese investment in Russian high-tech projects reached a record $527.6 million by 2023, a 54-fold increase over the decad (Report №94 RIAC, 2024). Projects in artificial intelligence, quantum computing, biotechnology and new materials are becoming priorities.

The agro-industrial complex is now one of the key areas of bilateral investment cooperation. NCC's research shows that Chinese investors view Russia's agro-industrial complex as a strategic direction for ensuring China's food security. The projected investment volume of $5 billion by 2025 could be a catalyst for technological modernization of Russian agriculture.

In the energy sector investment cooperation is diversifying towards renewable energy sources, with Chinese companies increasingly interesting in solar, wind and hydrogen energy projects. The planned investment volume of $3 billion by 2030 could contribute to the development of «green» energy expertise in Russia (Report №94 RIAC, 2024).

A new model of interaction is emerging in technological partnership, based on joint research centers and technology platforms. Cooperation has intensified in the microelectronics industry, where Chinese partners are ready not only to invest in production, but also to share technological expertise.

Smart cities are another promising area of investment cooperation. The NCC is seeing growing interest from Chinese companies in projects for digital transformation of the urban environment of Russian megacities, including the introduction of smart transport systems, energy-efficient solutions and environmental monitoring platforms. There is a qualitative deepening of cooperation in the financial sector. Given the external constraints, the development of alternative payment systems and financial technologies is particularly important. The creation of an independent financial infrastructure is becoming a critical element of bilateral cooperation (Russia–China: Challenges and solutions, 2024). The regional dimension of investment cooperation is also undergoing significant changes. In addition to the traditional centers of attraction for Chinese investment in the Far East and Siberia, new investment hubs are emerging in the southern regions of Russia, specializing in the development of the agro-industrial complex and transport and logistics infrastructure.

The most important trend is the diversification of investment cooperation. Traditional direct investment is complemented by project finance, venture capital and specialized investment funds. The NCC highlights the prospects of creating joint funds for investing in «green» and critical technologies; Chinese investors show growing interest in Russian achievements in quantum computing, neurotechnology, and advanced manufacturing technologies. The formation of joint technology chains in these areas can help strengthen the technological sovereignty of both countries (Report №87 RIAC, 2023).

There is a trend towards complex investment projects in the digital economy. According to K.V. Babaev, Chinese companies are moving from point-to-point investments in individual technological solutions to the creation of integrated digital ecosystems, including elements of infrastructure, software and platform solutions (Babaev, 2023).

Scientific and educational cooperation also takes on an investment dimension. Experts from the Institute of China and Modern Asia of the Russian Academy of Sciences point out that the number of joint research projects and educational programs funded by Chinese partners is growing. Specialists are trained to work with new technologies and to manage innovation. Investment cooperation is developing in the field of ecology and environmental protection, which is a new trend. Projects related to waste recycling, water and air purification, and environmentally friendly transport are becoming more attractive. Efforts have been made to create conditions for the

establishment of joint ventures to produce environmental monitoring and protection equipment (The Johannesburg Declaration-II).

Investment cooperation in the pharmaceutical and biotechnology sectors also tends to increase. Events in recent years have shown the importance of developing our own capabilities in the design and manufacture of medicines and medical equipment. Chinese investors are interested in establishing modern biotechnological production facilities and research centers in Russia.

Another promising area is the development of investment cooperation in the space industry. According to NCC experts, there is significant potential for joint development and production of spacecraft, communication and navigation systems. Of particular interest is cooperation to create a component base for space technology.

The Institute of China and Modern Asia also notes the emergence of new mechanisms of investment protection and dispute resolution. With limited access to traditional international arbitration institutions, the role of bilateral mechanisms of investment dispute settlement is increasing (General Administration of Customs of the People's Republic of China. n.d.).

Results

The transformation of the sectoral structure of Chinese direct investment in the Russian economy after 2014 was driven by a number of key factors. The deterioration of Russia's relations with the West and the imposition of anti-Russian sanctions have pushed Moscow towards closer economic cooperation with China, especially in the strategic energy and military-industrial sectors (Kaszmarski, 2020 & Kluge, 2024). In turn, the growth of the Chinese economy has stimulated China's need to import Russian energy resources and raw materials. Thus, between 2014 and 2022, Russian oil exports to China increased 6.7-fold, from 12.8 to 86.2 million tons. This led to a surge in Chinese investment in Russian oil, gas, coal, and metals production (Xu & Reisinger, 2019). To reduce the political risks of investing in Russia, Beijing is working in collaboration with influential Russian elites from President Putin's inner circle, who control key sectors of the economy. For example, Novatek and SIBUR accounted for 33% of all Chinese FDI in Russia ($8.7 billion) between 2011 and 2024. At the same time, China's ability and willingness to invest in high-tech sectors of the Russian economy remained limited due to their greater vulnerability to Western sanctions, problems with access to technology, weak infrastructure and institutional barriers in the Russian Federation. Against this background, the share of manufacturing industry in Chinese FDI fell from 30% in 2014 to 12.2% in the fourth quarter of 2024 (Ferris & Connolly, 2020).

The conclusions of the study on the shift of Chinese investors' priorities towards Russia's raw materials and agricultural industries are confirmed by the works of V. Spivak and N. Trickett, which point to the predominance of energy and agriculture in the structure of Chinese investment in the Russian Federation in recent years.

Some authors also note China's continued attention to the Russian military-industrial complex and nuclear energy.

The propositions about the low overall level of Chinese FDI in Russia (less than 1% of accumulated FDI in Russia at the end of 2021) and the restraint of Chinese investors after 2022 are consistent with the conclusions of J. Kluge.

The analysis of FDI between the Russian Federation and China reveals a number of key obstacles preventing the growth of Chinese investment in the Russian economy. First and foremost, these are the risks of further tightening of Western sanctions against Russia and the threat of secondary restrictions for Chinese businesses, especially in high-tech sectors. Fears of falling under US sanctions have led to the freezing of many projects by Huawei, Alibaba and other Chinese IT giants in Russia after February 2022 (Simes, 2024).

The gap in technological development between the two countries is also a serious constraint. Chinese companies often do not see Russia as an attractive market for investing in innovation (Gabuev, 2018). Finally, the divergence in investment priorities between Moscow and Beijing hampers the deepening of investment ties. While the Russian side seeks to attract Chinese capital to the real sector of the economy, the PRC is primarily focused on access to export markets and extractive industries (Shuber & Savkin, 2016). The structural imbalance makes it difficult to develop a common agenda for investment cooperation.

Conclusions

The transformation of the sectoral structure of Chinese direct investment in the Russian economy between 2014 and 2024 was driven by a combination of geopolitical, economic and institutional factors. The deterioration of Russia's relations with the West, China's growing demand for imports of Russian energy resources and raw materials, and Beijing's desire to minimize risks through cooperation with influential Russian elites have led to a greater role for extractive industries and agriculture, while Chinese investors' interest in the Russian Federation's manufacturing and high-tech sectors has declined.

The results of this research are generally consistent with the estimates of other authors regarding the priority areas of Chinese investment in Russia. At the same time, the emphasis on the personalized nature of investment cooperation between the Russian Federation and China, and Beijing's focus on interaction with the Russian raw materials sector of the economy distinguishes this study from previous publications. Analysis of obstacles to the deepening of investment ties between the two countries reveals a range of issues, including the risks of tougher Western sanctions, weak infrastructure, and diverging investment priorities.

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