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‘It Will Never Be the Same’: Can the West Win Back Russia’s Market from China?

The U.S. is interested in dissuading Moscow from aligning too closely with Beijing. But this shift is unlikely to be fully reversed, no matter how the war ends.

By Moscow Times Reporter

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A Chinese dragon appears in front of the Moscow Mayor's Office. **Sergei Kiselev / Moskva News Agency**

The fallout from the war in Ukraine for Russia, including a weaker ruble, sanctions and the exodus of Western companies, has created an opening for Chinese firms in the Russian market.

From cars to wood and metalworking machinery, Western companies that once operated in Russia have been pushed aside by Asian competitors. In some sectors, this shift is unlikely to be fully reversed, no matter how the war ends.

What is the U.S. plan for breaking the Russia-China alliance?

Trump vowed to "un-unite" Russia and China on the campaign trail in fall 2024, calling their alliance "the one thing you never want to happen."

The remarks fueled talks of a "reverse Nixon," with Trump seeking a deal with Moscow to pull Russia closer to the West, as Richard Nixon had done with China against the Soviet Union.

By engaging with Russia, the U.S. could potentially dissuade Moscow from aligning too closely with China, whom the Trump administration sees as its primary adversary, Trump's special envoy Steve Witkoff said in March.

"Russian oil today is being sold cheap to China. I'm not sure that's such a wonderful benefit [to the U.S.]," Witkoff said when asked about the importance of reaching a peace deal to end the war in Ukraine.

U.S. Secretary of State Marco Rubio also said the Russia-China embrace was worrisome, although he admitted that it would be difficult to completely "peel off" Russia from China.

"If Russia becomes a permanent junior partner to China in the long term, now you're talking about two nuclear powers aligned against the United States," he said, warning against Moscow becoming "completely dependent on the Chinese because we have cut them off."

Russia and the U.S. said they discussed prospects for economic cooperation in negotiations this spring, but no specific steps were taken.

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How important is China for the Russian economy?

Beijing has become a key supplier of technological equipment to Moscow since the invasion of Ukraine. Around 76% of such goods used by Russia for military purposes in 2023 originated from China, according to the Kyiv School of Economics.

These include both Chinese-made and re-exported products, such as metal cutting tools for making military hardware or microchips used in missiles for targeting and guidance by processing real-time data from GPS and other services.

China has also replaced the West as the top buyer of Russian oil and gas, an important source of foreign currency and tax revenue for the Russian economy.

Trade is expanding in sectors that rely on cooperation between the Russian and Chinese governments, like energy and defense, and beyond.

China accounted for approximately 89% of Russia's microchip imports by dollar value in the first half of 2023 and for 71% of all imported material processing machines in 2024, compared to about 25% in 2021.

Microchips act as the brains of modern economies, powering mobile networks, controlling car safety systems and monitoring temperatures in power plants.

Material processing machines, meanwhile, are essential to modern manufacturing, enabling the production of furniture, cars, appliances, aircraft and electronics.

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Some European companies were reluctant to leave the Russian market in 2022-2023, supplying machinery to Russia via third countries in Central Asia as sanctions tightened, a market source who worked in the woodworking business at a European company told The Moscow Times.

However, the weakening of the ruble in summer 2023, combined with high logistics costs, made Western equipment prohibitively expensive, the source said, speaking on condition of anonymity for safety reasons.

As a result, by late 2023, Chinese woodworking machines, both automatic and semi-automatic, were about 30-50% cheaper than comparable European machines without a commensurate drop in quality, he added.

A similar price difference can be seen when browsing online price lists for metalworking machinery.

This is no small change considering that a European-made CNC woodworking machine can cost upwards of $200,000, and a metalworking machine upwards of $300,000.

"European manufacturers offer better quality and reliability and used to have better warranty terms, but China’s price-to-quality ratio is obviously very hard to compete with. Meanwhile. Russia’s production of these machines is minuscule," The Moscow Times' source said.

China has also flooded the market with finished goods, most notably cars. Its presence includes Chinese makers like Haval, Chery or Geely, as well as Western-branded models like the Ford Taurus, which are made in China and shipped to Russia.

Some Russians seek to obtain premium Western cars via sanctions-dodging schemes, but their price-to-quality ratio increasingly falls short compared to Chinese alternatives, Ivan, a St. Petersburg-based car dealer, told The Moscow Times.

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"New Chinese premium cars start at about 6 million rubles [about $72,500] compared to the about 9 million [$108,800] you pay for, let’s say, a Volkswagen Touareg you can bring from Europe. You would have to pay twice as much for the Mercedes G-class," Ivan said.

Because of the complexities involved in importing Western cars, broker fees alone can often add up to 30% of the vehicle's original price, he added.

Indeed, instead of the initial fear of shortages after Western brands left, Russian authorities now face the opposite problem: an overwhelming influx of Chinese goods putting pressure on local producers.

At the request of local manufacturers, the Russian authorities even imposed taxes affecting the prices of foreign cars, leading to a nearly 50% drop in Chinese car exports to Russia year-on-year, down to 57,592 vehicles in January-February, Bloomberg reported.

Can Western firms make a comeback?

Politically, there is no indication that Russia's leadership has reservations about its ties with China.

Vladimir Putin has enjoyed a warm personal relationship with Xi Jinping for over a decade. Bilateral ties are also uninhibited by issues like territorial disputes or accusations of interference in each other's internal affairs.

"To pull Russia out of China's embrace, it needs to be offered something credible, something long-term. But how can that be long-term if Donald Trump is likely around for just four years?" expert Alexander Gabuev said in a recent Carnegie Center podcast, pointing to Trump's falling approval ratings and his party's risk of losing its congressional majority in the November 2026 midterm elections.

"Putin understands this, of course, which is why there's not enough trust in the Americans for him [Putin] to start rebalancing Russian foreign policy," he added.

But even if peace is restored in Europe, Western companies would be returning to a very different market than the one they left in 2022.

The service life of a car or metalworking machine can be decades, which means that Russian companies will stick to the Chinese solutions they have acquired and buy spare parts accordingly.

Moreover, falling oil prices and the Central Bank's key interest rate cut in case of a possible peace deal are likely to weaken the ruble, which would make European goods more expensive than Russian- or Chinese-made alternatives.

"The Russian market will never be the same again, and Europeans and Americans will not be able to regain any segment of the goods market completely aside from high fashion and a few niche markets," a former Russian official who oversaw market regulation told The Moscow Times on condition of anonymity.

The picture looks rosier for Western companies in the services sector.

Top Western consultancies like Boston Consulting Group or McKinsey will likely face few obstacles from foreign or Russian competition if they decide to return to the Russian market.

"There are no immediate plans to return to the Russian market, of course, but internally there is speculation that a comeback may be possible around 2026," a source who recently worked at a top Western consulting firm in a CIS country told The Moscow Times.

The Big Three management consultancies left Russia in 2022 and expanded their operations in other CIS countries, particularly Azerbaijan and Kazakhstan. Bain has the smallest business in the CIS out of the three firms.

Russian consultancies like Yakov and Partners — founded by former executives of the Big Three firms' Moscow offices — and smaller local firms that had been active before the war, such as SBS Consulting and Strategy Partners, stepped in to fill the gap left by the top Western players.

"The Russian consulting market is changing, but still none of the local alternatives have the same brand recognition, reputation or the ability to attract top talent as the Western Tier 1 consultancies," The Moscow Times' source added.

The same goes for Western software solutions like Germany's SAP, whose products help companies manage operations, resources and customer relationships.

Before the war, SAP was used by major firms like gas giant Gazprom, top lender Sberbank and the country's largest air carrier Aeroflot.

It would be highly difficult to completely replace the entire range of services offered by SAP with Russian or other foreign software, a former SAP Russia employee told The Moscow Times.

"If the war continues and the sanctions stay in place for a few more years, maybe Russian software will take off and [Russian IT firm] 1C Company will create a full-fledged alternative, but not now," he said.

A Russian IT specialist told The Moscow Times that his company was developing business intelligence tools to replace SAP's services for big Russian banks and energy companies.

But while these products will replace some of SAP's functionalities, there are still many blind spots where Russian companies cannot offer the same quality of service, he added.

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