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Sergei Afontsev: “How The USA And China Trade War Could Affect Russia”

This year’s spring was marked with a start of trade wars. US President Donald Trump first imposed various trade tariffs against 185 countries, then suspended them, going with a base 10% tariff against almost all countries, except for the PRC. But a standoff with China threatened to turn into a global conflict, since the Celestial Empire had responded in kind. However, on May 12 at the Geneva talks the parties came to an agreement: Washington would reduce tariffs on Chinese goods from 145% down to 30% for 90 days, and Beijing would do likewise, from 125% down to 10%.

What should Russia expect at the background of such complex relationships of the two superpowers? Sergei Afontsev, Deputy Director of the Primakov National Research Institute of World Economy and International Relations of the Russian Academy of Sciences, answered this and other questions in his interview to BM.Moscow Foresight.

— What is the reason, in your view, for the USA to keep stoking the tariff war?

— President Donald Trump is playing a very complex political game, which could be compared to a multi-layered burger. Just a few weeks ago the directly declared goal was to reduce the foreign trade deficit of the USA. Last year the American imports of goods exceeded the exports by the record amount of $1,2 trillion. At the same time more than two thirds (68,1%) of the total US trade deficit for goods could be attributed to four partners — PRC ($295,4 bn), the EU ($235,6 bn), Mexico ($171,6 bn) and Vietnam ($123,5 bn).

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From the viewpoint of the Trump administration, the primary reason for this is the fact that goods, imported into the USA from foreign countries, are subject to lower duties than the duties, imposed upon American goods, imported by relevant countries. This determines the position of the American administration on eliminating “unfair and out-of-balance trade”, and also positioning new tariffs as imposed in response to the existing level of barriers against American goods.

— But it is clear now, that this is only a part of the American leader’s motivation. What does he really want?

— Of course, we can and we should speak of deeper motives. First, this is an opportunity to get a broad range of concessions, both economic and political, from the countries facing new tariffs. This tactic has been previously tested on Canada and Mexico, and judging by the intensity of contacts with Washington by leaders of many states, against which tariffs had been imposed, it will yield more fruit going forward. The 90-day suspension of higher tariffs, announced on April 9, is an important element of this strategy, inviting those countries that are ready to negotiate, to make deals that are beneficial for the USA.

Second, this is a radical attempt at showing “who’s the boss of the world” fully in accordance with the Trump motto “Make America Great Again”.

Third, this is a thrust against economic positions of the major geopolitical opponent of the USA — China, which could have its opportunities to use the US market potential in future noticeably reduced.

And ultimately, this is an important step to support Trump’s popularity in the USA: he demonstrates that he is ready to fight for jobs for American voters.

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— What’s in store for the global trade in this case?

— Trump’s activities lead to a collapse of the whole system of international regulation of global trade. During his first term in office, Trump almost paralyzed the central pillar of this system — the World Trade Organization (WTO), refusing to appoint new members to the Dispute Settlement Body of the WTO. In other words, he had incapacitated the Body. And his new unilateral decisions had ignored the very rules the Body was supposed to monitor. And for the most dissatisfied, he holds yet another trump card up his sleeve: in accordance with Article XXI of the General Agreement on Tariffs and Trade (one of the WTO founding documents), countries have the right to introduce trade restrictions for national security reasons.

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These, particularly, were the exact reasons for the steel and aluminum duties, introduced by the first Trump administration in 2018. One should only appeal to national security reasons for imposing tariffs – and these cannot possibly be disputed.

— What could the world expect at the global level?

— At least over one –two quarters we will see a total mess in the area of supply of goods to the American market and a severe blow to the positions of those companies and countries that focused on this market.

Future developments will depend on how fast and in what manner the countries, hit by the tariffs, will react. In April it became clear that some countries had been ready to fly to Washington and sign prepared trade concession documents, but others had worked to achieve better negotiating positions. The situation in the trade interaction with the PRC was very illustrative: at the background of the impressive escalation, the parties had been holding closed-door negotiations, which at the start of the second decade of May gave hope for prevention of a full-scale trade war of the USA and the PRC.

— How efficient is this policy for the USA?

— The Trump trade policy paradox is that it is most efficient versus either weaker opponents, or staunch allies. Neither the former, nor the latter are willing to put their economic ties with the USA at risk and are ready to yield in order to keep at least some of their benefits. In this regard the position of the Great Britain, which had agreed to the fundamental positions of the administration of

Donald Trump in early May. However, bigger players are obviously reluctant to take this option.

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— Will the global GDP growth slow down now?

— It is too early to say: the latest decisions by the American administration have created too many challenges, and there is little that can be definitely said about any possible responses to the challenges. But now it is much harder to speak of reaching the 3,3% global economy growth figure by the end of 2025, forecasted by the International Monetary Fund (IMF) in April 2025. Growth rates in the Eurozone member states will most likely be in the range of 0,5-1%. As for the leading developing economies, primarily the leading BRICS countries, these will manage to maintain positive growth rates. It is obvious that China is facing the biggest threats, but over the latest years the Chinese leadership has been actively preparing for these, among other, studying the Russian experience of growth under sanctions.

— How can the trade war of the USA and China affect Russia?

— A country which is free of any new restrictions is always relatively better off than the “affected” countries. The remarkable fact is that during the first days after the imposition of new tariffs against third countries by Trump, the Mexican Exchange demonstrated growth. The reason for this was perfectly clear — Mexico was not subjected to the relevant tariffs. The question at issue is whether a relative advantage can turn into an absolute one, meaning not only being able to minimize losses, but also achieve a net economic benefit gain. The experience has been that in a situation of sliding international trade volumes, and correspondingly, lower demand for energy resources, it would be very hard for countries with foreign trade structure, similar to Russia.

— What strategy should Moscow follow under the current conditions?

— In Russia’s case, one of the realistic strategies would be to intensify cooperation with partner countries in those areas, where they, due to degrading relations with the USA, have free significant volumes of goods that are in demand in the Russian economy. Increased supply and cheaper goods, especially investment purpose goods, could give an extra boost to the Russian economy.

At the same time, however, it is crucial not to put budding import substitution processes in jeopardy. Attention should also be paid to the analysis of manufacturing and technology cooperation directions in those industries, where new US tariffs threaten the existing production chains, incorporating companies from the “affected” countries. Here it is important to make a timely assessment of opportunities for Russian companies to replace “broken links” of relevant chains, and promptly take advantage of these opportunities.

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— And what is your forecast for the future of the Russian economy?

— A lot will depend on fast and adequate analysis of challenges and chances, presented due to the tariff initiatives of the American administration. Three years ago, back in 2022, Russia had done what seemed almost impossible, radically revamping the structure of its foreign trade, which had helped not only to minimize sanction effects, but also to go on a strong economic growth trajectory.

In 2023 the support of expanded domestic demand (both under state-funded and market channels — by replacing import supply with domestically manufactured products) ensured stable 4,1% GDP growth, for the first time since 2012 getting ahead of the value for the global economy and significantly surpassing the figures for the economically developed countries — initiators of anti-Russian sanctions.

Over the first half of 2024 the Russian economy continued to build on the development potential that had been accumulated over the previous year. However, as soon as in QII there were signs of slumping growth: if in January-March the country's GDP grew by 5,4% year on year, then in April-June the relevant figure amounted to 4,3%. The GDP growth slowed down even more in QIII, sliding to 3,3%.

The key factors that ensured this outcome included exhausted possibilities for extensive geographic re-orientation of Russia's foreign trade under sanctions, growing labor availability issues and tighter monetary policy of the CBR.

Despite the above, at QIV end the GDP growth once again accelerated up to 4,3% year on year. And the overall results of the national economy development for the last year turned out to be quite positive. According to adjusted data by Rosstat, over 2024 the country's GDP grew by 4,3%, which is 0,2% higher than the figure for 2023, and by 1% ahead of the average value for the global economy. Let me point out, that this is the second year in a row that the country is ahead of the global figure.

In 2025, in spite of the supposed "inflationary overheating" issues of the Russian economy, we have to promptly respond to new needs, arising with partner countries due to American tariffs, imposed on them. If this is done, continued economic growth will be guaranteed for Russia.

Yekaterina Vesnina

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Text Boxes:

“Over the latest few weeks it has become obvious: Donald Trump’s administration now understands that the tariff policy makes no sense whatsoever. It has no economic grounds and is unjustified. Trump believed that tariffs would give the USA a stronger negotiating position. This has also fallen through”.

Jeffrey Sachs, director of the Center for Sustainable Development at Columbia University

“Trump tariffs will hardly increase the flow of foreign goods to Russia. Our market is overflowing with Chinese cars and equipment, and Europeans have not been selling their goods to us and will not sell”.

Mikhail Deliagin, State Duma Deputy, director of the Institute for Globalization Issues

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