



ПРЕЗИДЕНТСКАЯ
АКАДЕМИЯ

US Trade Wars: Origins, Key Facts and Implications

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РАНХиГС



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*R. Reagan, the 40th President of the United States.
1985*

TRADE WARS: THE REASONS BEHIND

The conditions for increasing external economic tensions have been shaped by the trends of recent decades



1. **Growth in emerging economies is significantly higher** similar indicators for developed countries



2. **The share of developed countries in the world GDP is less** higher than the same indicator for developing ones, but there is still a significant gap in the level of economic development (GDP per capita)



3. There are **developing countries' surpluses in trade in goods and services**. Similar trends are observed in the field of investment cooperation



4. **Inequality in the distribution of disposable income is growing** in both developed and developing countries



5. The growth of foreign value added in gross exports and final consumption, i.e. **the growing interdependence of economies**

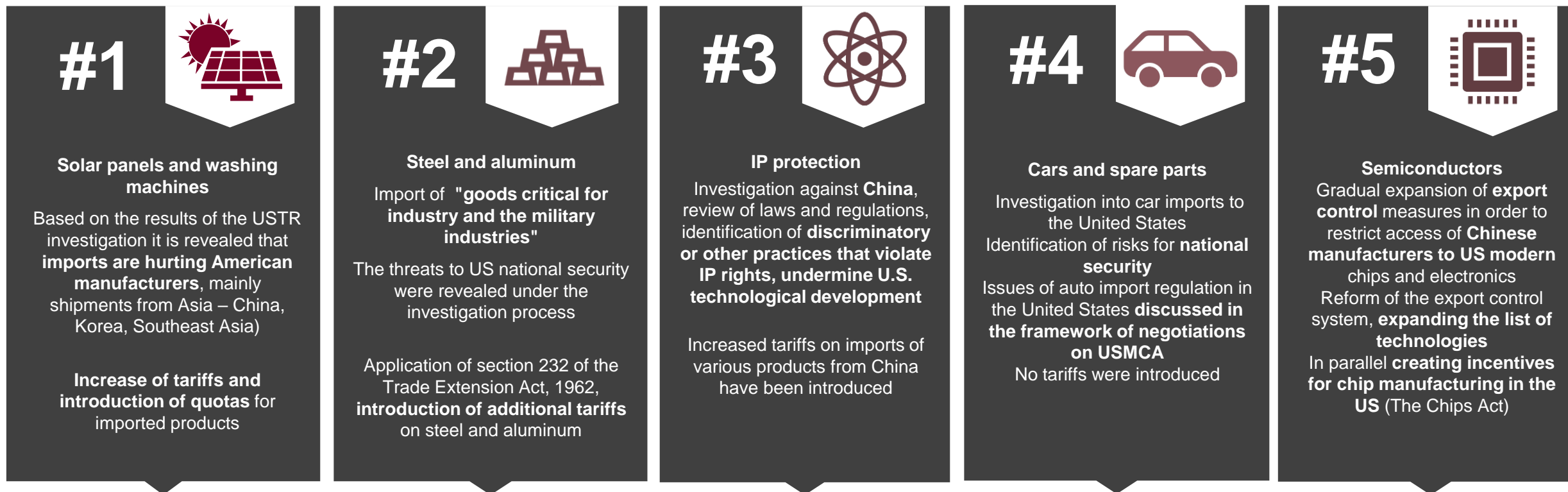


Declared by the US the goals and objectives in the 2017-2020 Trade War

At the present stage — they are similar

- **Protecting the interests of American manufacturers** in the domestic market, in fact — protectionism
- **Bringing production back** to the United States and increase jobs within the country
- **Reducing the trade deficit** with major US partners (primarily China)
- **Combating "unfair" trading practices** and the restriction of China's economic development (subsidies, exchange rate manipulation, IP rights violation, etc.)
- **Reforming the WTO:** the trade war is designed to demonstrate the limitations of the WTO and existing multilateral trading system to resolve the problems promptly

Key areas of conflict:



On two tracks (#2 - metals and #3 - IP) Trade war:

Increased tariff rates covered about **66% of US imports** from China, and order **58% of US exports** to China

Average level of duties in **China customs tariff** in relation to the United States increased by 13.5 percentage points (from **8.3% in 2017 to 21.8% in 2019**)

Average level of duties in **US customs tariff** in relation to China increased by 17 percentage points. (**from 4% to 21%**)



Assessment of the effects of tariffs imposed by the United States and China on two tracks on general equilibrium models

Estimates based on the general equilibrium model:

GDP, billion US dollars					
Region	Metals	IP-1	IP-2	IP-3	General change
China	-2 (-0,0%)	-23 (-0,1%)	-45 (-0,3%)	-86 (-0,5%)	-155 (-1%)
USA	-48 (-0,2 %)	-5 (-0,0%)	-10 (-0,0%)	-20 (-0,1%)	-85 (-0,3%)
The rest of the world	+31 (+0,0%)	+8 (+0,0%)	+24 (+0,0%)	+16 (+0,0 %)	+78 (+0,1%)
Whole world	-19 (-0,0%)	-20 (-0,0%)	-31 (-0,0%)	-90 (-0,1%)	-162 (-0,2%)

Industry-specific effects:

- Metals and electronics manufacturing in Russia
USA – positive effects
- Transportation, agricultural, and chemical industries in the United States - **negative effects**
- Positive effects** on agriculture and food production in **China**
- Negative effects** on metals, electronics manufacturing, and precision engineering

China, billion US dollars					
Indicator	Metals	IP-1	IP-2	IP-3	General change
Export	-1,1 (-0,0%)	-15 (-0,4%)	-47 (-1,5%)	-160 (-4%)	-220 (-6 %)
Import	-0,6 (-0,0%)	-20 (-0,6%)	-17 (-0,6%)	-60 (-2%)	-95 (-3%)
Change trade balance	-0,5	+5	-30	-100	-125

United States dollars, billions of US dollars					
Indicator	Metals	IP-1	IP-2	IP-3	General change
Export	-25 (-0,8 %)	-11 (-0,4 %)	-12 (-0,4%)	-52 (-2,0%)	-100 (-3%)
Import	-38 (-1,0 %)	-12 (-0,3%)	-38 (-1,0%)	-102 (-2,6%)	-190 (-5%)
Change trade balance	+13	+1	+26	+50	+90

US-China "Phase One" Agreement



China has committed to **modernize legislation** that addresses the **protection of IP rights** (protection of trade secrets and confidential business information; protection of IP rights in the pharmaceutical industry; patents, etc.).



Technology transfer must be carried out on a **market and voluntary basis**, neither party can put pressure on the other to force a transfer



Lifting non-tariff barriers related to **food and agricultural** products originating in the United States.



Increasing the ownership threshold for U.S. firms in the capital of insurance companies and banks operating in China, and **expanding the activities of payment systems** in the field of electronic payments



China **refrains from manipulating the yuan exchange rate** for export support (competitive devaluation) and commits to the monthly publication of data on **foreign exchange reserves** and forward positions.

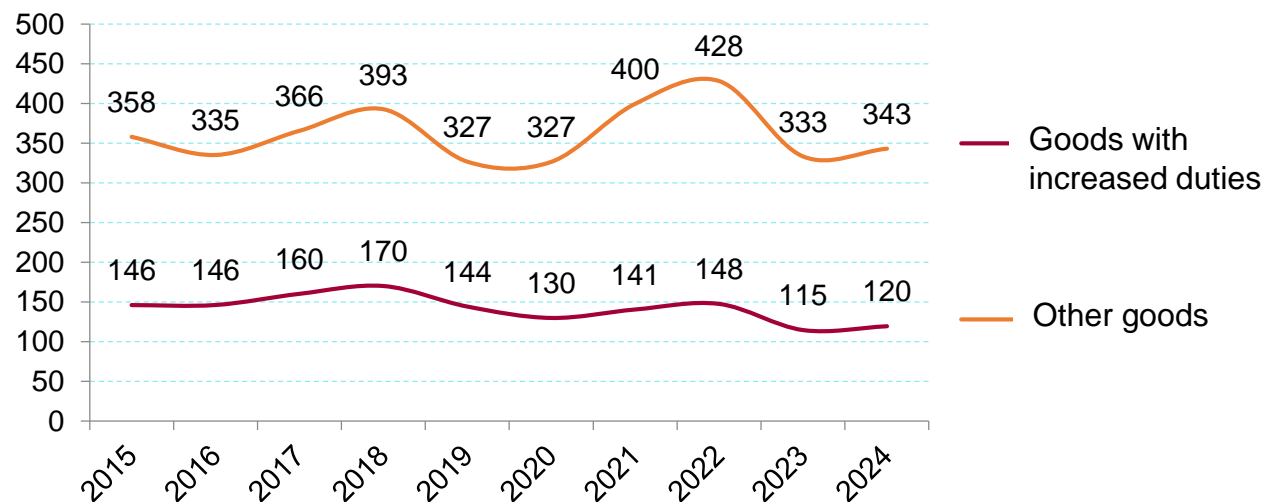


China commits to **boost its purchases** of three groups of U.S. goods – industrial, agricultural, and energy – by **\$200 billion** over a two-year period (2020-2021), **using 2017 as the baseline**.



Institutional arrangements **to solve problems and controversial issues** on the implementation of the Agreement

Dynamics of US imports of goods from China in 2015-2024 (\$ billions)



Imports of goods with increased duties decreased compared to 2017-2018. The share of such goods decreased from 30% in 2018 to 25% in 2024.

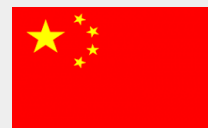
China **failed to fulfill its obligation to import** the agreed-upon additional amounts of U.S. goods and services as part of the "Phase One" trade deal (at least \$200 billion in accordance with the terms of the first phase of the US-China trade deal signed in January 2020). **The increased rates are in force and are subject to exceptions made at the request of the business.**

TECHNOLOGICAL CONFRONTATION BETWEEN THE US AND CHINA in 2020-2024.



Further expansion of US export controls on China in 2021-2024

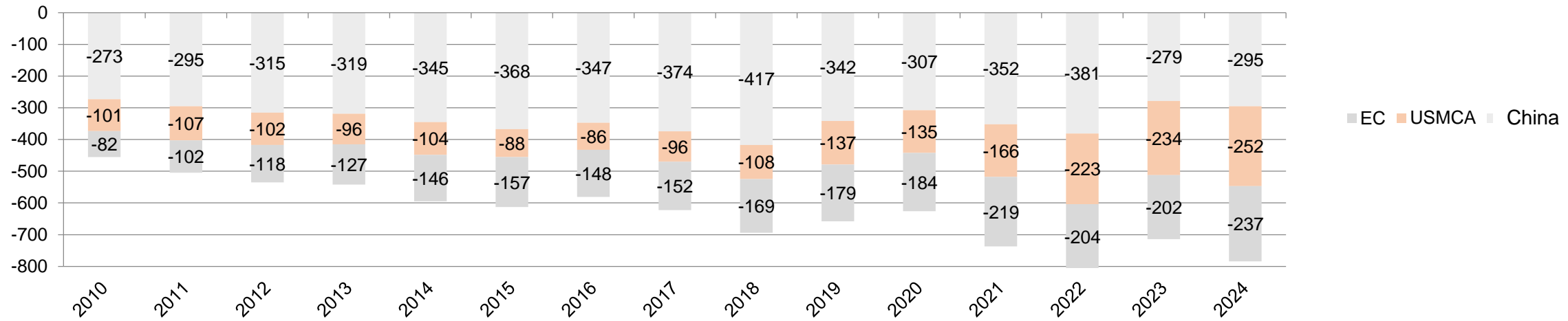
- Executive Order **on U.S. investment in certain technologies and products (target - China)**
- **Banning the supply of semiconductor** manufacturing equipment and software from the United States and third-party countries



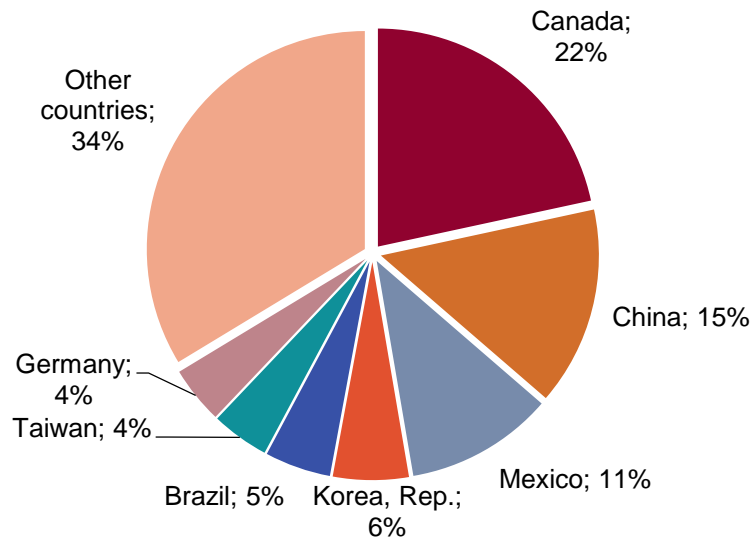
Development of export control measures and actions to restrict the activities of US companies

- Full-scale development of **export control system** in the country, the goal is – **balancing other countries ' measures**
- Restrictions on the export of critical materials (export licensing requirements on **gallium, germanium, graphite**)
- **Refusals to approve transactions** for mergers and acquisitions involving US companies

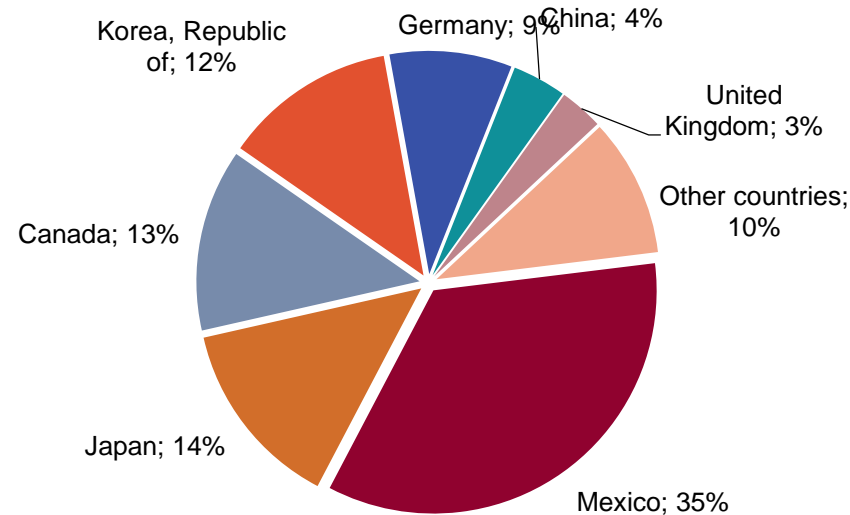
US Trade Balance, \$ bln



Top U.S. Steel and Aluminum Suppliers in 2024



Top Auto and Auto Parts Suppliers in the United States in 2024



- In addition to Mexico and Canada, whose export of **steel and aluminum** which is 80-90% focused on the US market, a **significant share of Brazil's external supplies** goes to the American market (40%)
- The United States accounts for a **significant portion of car and auto parts exports** not only for partners in USMCA, but also for Japan (35%), Korea (50%), UK (25%)

1) Additional country-specific tariffs on US imports

Canada - 35%

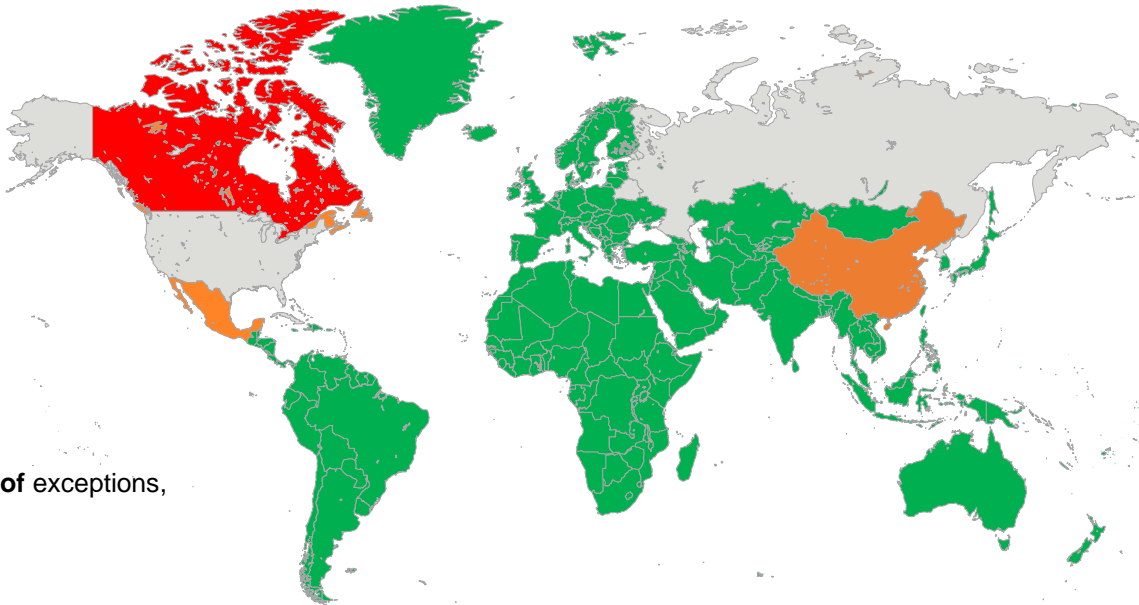
All products outside of USMCA coverage, except **energy products and potassium carbonate (10%)**

Mexico - 25%

All products outside of USMCA coverage, except **potassium carbonate - 10%**

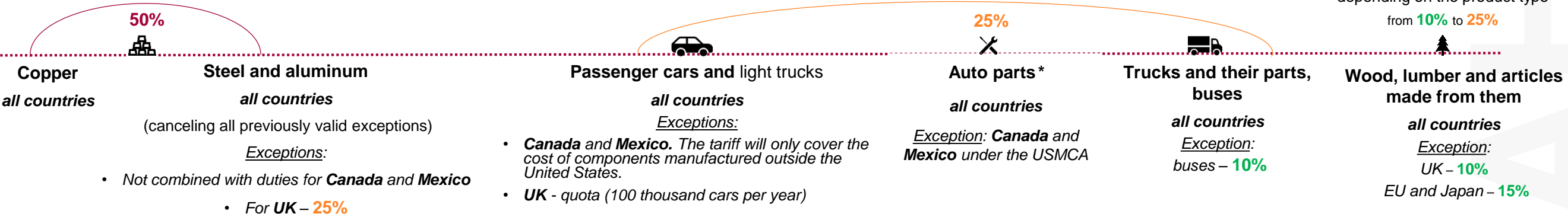
China, Hong Kong, Macau - 20%

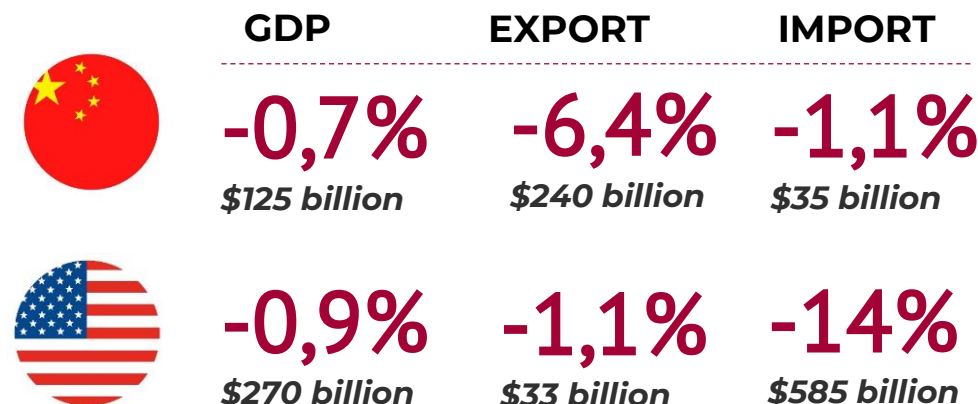
all products, except for product items from the corresponding list of exceptions, **electronics**



- For **69 countries and regions** from the corresponding list, there are country-specific duty rates (from **10%** to **50%**), **lists** exceptions are also specified
- Certain types of tariffs are excluded (**agricultural and chemical products**, incl. fertilizers)
- Trade deals concluded with **China, United Kingdom, EU, Japan, South Korea, Vietnam, Indonesia, Philippines, Cambodia, Malaysia, Thailand, Pakistan, Switzerland, Liechtenstein, Argentina, Ecuador, El Salvador, Guatemala.**

2) Additional sector-specific duties: (are not added to each other)





China's commodity exports to the US

-30%

US commodity exports to China

-11%

EU:

- **GDP will shrink by 0.3%, total exports by more than 1%.**
- The main suppliers to the American market will be affected – **Germany, France.**
- EU merchandise exports to the United States will decline by more than 15% (over \$80 billion).
- **More than half of the import shortfall** will be in automobiles and other transport vehicles, with significant reductions also expected for chemical products and precision

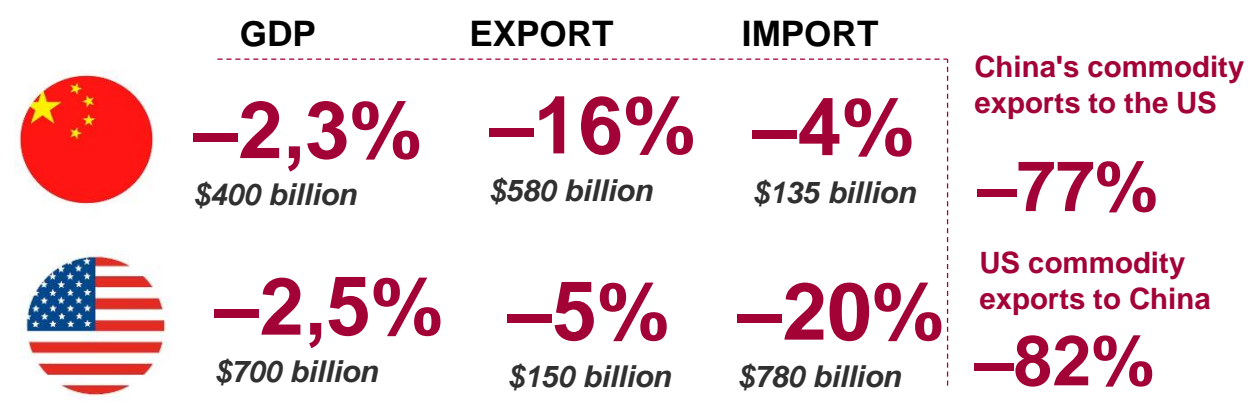
India and Vietnam:

- **Vietnam's** economy is projected to suffer a 1.1% GDP loss and a 4% drop in total exports due to the trade war. Its exports to the U.S. will fall by 18%, led by textiles, metals, and machinery.
- **For India,** GDP is expected to contract by 0.3% and total exports by 2.5%. Goods exports to the U.S. will see a drop of over 20% (close to \$21bn), with the hardest-hit sectors including agricultural products, plastics and rubber, pulp and paper, and specific equipment categories.

Latin America:

- **Brazil** is expected to see a 0.5% contraction in GDP and a roughly 4% drop in total exports. **Other regional countries** face similar impacts of -0.4% and -2%, respectively.
- **Brazilian goods exports** to the U.S. are projected to plummet by about 40% (close to \$16bn), with agricultural output, plastics and rubber goods, and pulp and paper among the hardest-hit sectors.

TRADE WAR EFFECTS 2.0: MAXIMUM TARIFFS



- The **collapse of U.S.-China trade** is disrupting domestic and third-country markets through global supply chain linkages. The relative negative impact on China's economy (-2.3%) is similar to that on the U.S. (-2.5%).
- China is experiencing major export losses** and a production downturn in specific industrial sectors, particularly machinery and equipment (electrical, electronic, and optical).
- The **hardest-hit third countries** are **Mexico** (due to its U.S. reliance) and **Vietnam** (due to the scale of reciprocal tariffs).

Effects on other key US trading partners

	GDP	Export	Export to the US
Mexico	-3%	-7%	-10%
Canada	-1%	-10%	-16%
Japan	-0,2%	-1,6%	-11%
Vietnam	-2%	-6%	-30%
Republic of Korea	-0,4%	-1%	-8%
EU+UK	-0,2%	-0,4%	-4%

In the absence of increased tariffs in relation to Russia - **indirect negative effects** of the US trade policy

GDP
-0,2%

Export
-0,9%

Import
+6%

- Russia's key risks stem from **heightened competition in third markets, export revenue losses** from falling global prices, and **pressure on domestic sectors** from China and other countries shifting their trade flows.
- **Total export losses** for Russia are around **\$4.5bn**, concentrated in ferrous and non-ferrous metals. **Imports could rise by about \$18bn**, with over half sourced from **China**. The most vulnerable import categories are machinery, chemicals, and vehicles.
- **The long-term impact** on Russia's trade is expected to wane. The projected trade balance (without secondary sanctions) shows a surplus of \$114bn in 2026 (vs. \$138bn baseline), \$210bn in 2030 (vs. \$232bn), and \$437bn in 2042 (vs. \$440bn).

- In recent years, the trade war has escalated into an **open confrontation between the U.S. and China**, encompassing not only tariffs but also technology.
- The **United States needs manufacturing capacity back to domestic market**, at the very least, in allied countries, as well as raw materials and supplies. **China**, in turn, **needs advanced technologies to which it is denied access**. Technological policy measures, both domestic and external, are aimed at achieving these set goals.
- A systematic development of technology strategies by key global players is underway, with the long-term prospect of **global value chains** coalescing around the **two main technological poles: the United States and China**.
- The technological standoff has brought to the forefront the **capabilities of export controls and sanctions** under the pretext of ensuring national security, alongside **direct state intervention** in industry and market mechanisms.
- A consensus has emerged within the global expert community regarding the **negative impact of this new stage of the trade war on the world economy** and on the economies of the U.S., China, the EU, and other countries and regions, including estimates of the scale of these effects.
- The **current configuration** of mutual tariffs is leading to a reduction in both imports and exports for the United States, with an even more significant contraction should the U.S. follow through on its threats to raise tariff rates.
- The **negative effects include**: supply chain disruptions, reduced supply and costs of reorientation, rising prices, and a decline in household disposable income.
- **Positive effects may** materialize for certain economies capable of securing deals (e.g., India, the United Kingdom, etc.). However, current agreements are largely focused on mitigating the risks of higher tariffs and lowering tariff barriers for the U.S. exporters. The reconfiguration of cooperation and supply chains also entails significant financial and time-related costs.
- The **United States'** efforts to restrict imports, given the American economy's dependence on global value chain supplies and its established economic structure, **will not solve the problem of the trade deficit or the expansion of domestic production capacity**. Furthermore, trade reorientation in a context of a multilateral deficit (not solely with China) presents additional challenges.



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Thanks for your attention!

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