

MONITORING OF RUSSIA'S ECONOMIC OUTLOOK

trends and challenges of socio-economic development

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US TRADE POLICY: CURRENT SITUATION AND PROSPECTS

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Trade wars as a means of combating chronic large-scale trade deficits have once again become the hallmark of US trade policy following Donald Trump's return to power. As in 2017–2019, this is leading to increased uncertainty and instability in trade flows in the wake of the shocks caused by the pandemic and anti-Russian sanctions. Tariffs and non-tariff measures imposed by the US significantly restrict trade and business opportunities, creating incentives for trade deals. The UK and India have made the most progress in negotiations with the US. The EU is seeking to reach agreements but is also preparing retaliatory measures. The situation with China is even more complicated. On the one hand, there is a goal to form a long-term agreement on a wide range of issues and eliminate tensions. On the other hand, both countries are not ready to give up their existing economic leverage and are reminding each other of their existence. Russia needs to monitor developments in order to assess the risks to exporters and the domestic market resulting from the redirection of trade flows.

Back to trade war

Increased tariffs on products from partner countries with the aim of reducing the US trade deficit was an expected component of the new trade policy with Donald Trump's return to power. In early 2025, the scale of measures planned for implementation remained difficult to predict. The new tariffs were justified by the results of investigations presented by the new president's team on the impact of imports on US national security. On March 31, the latest National Trade Estimate Report (NTE) on foreign trade barriers was published. The conclusions presented in the report are consistent with Trump's trade policy, which is reflected in the memorandum "America First" (AFTP) and in the "President's Trade Policy Agenda for 2025." Trump considers one of the key tasks of his presidential term to be "restoring balance in trade relations and bringing manufacturing back to the country," including through tariffs. The AFTP report presented in early April emphasizes the need to follow the "America First" policy and recommends the introduction of tariffs on certain imported goods to achieve balanced trade and the creation of an "External Revenue Service"

Monitoring of Russia's economic outlook

to optimize the collection of duties.¹ Among the key chapters of the document are an overview of “unfair and reciprocal” trade practices, the renegotiation of the USMCA,² and a review of current trade agreements. Five chapters of the document are devoted to economic and trade relations with China.

Tariff policy as a key lever of pressure

At the end of January, new additional customs duties on imports from China, Canada, and Mexico were announced. In addition, Trump announced the restoration and adjustment of certain tariffs on steel and aluminum and the cancellation of agreements reached by the previous administration with the EU, the UK, and Japan. The rate for these metals was set at +25 p.p. above the current level. Also, at the end of March, based on Section 232 of the Trade Expansion Act, Trump imposed an additional 25% import tariff on passenger cars, light trucks, and major auto parts (engines, transmissions, powertrain components, electronic components).³ According to an investigation by the US Secretary of Commerce, automobiles and certain auto parts are being imported into the United States in such quantities and under such circumstances that they threaten national security.

In April, executive orders were issued aimed at “softening” the impact of automobile tariffs. The first provides for compensation for the cost of imported auto parts used in the assembly of American cars in the amount of 3.75% (of the manufacturer's recommended retail price of the car) until April 30, 2026, and 2.5% until April 30, 2027.⁴ The second clarifies that tariffs on cars will not

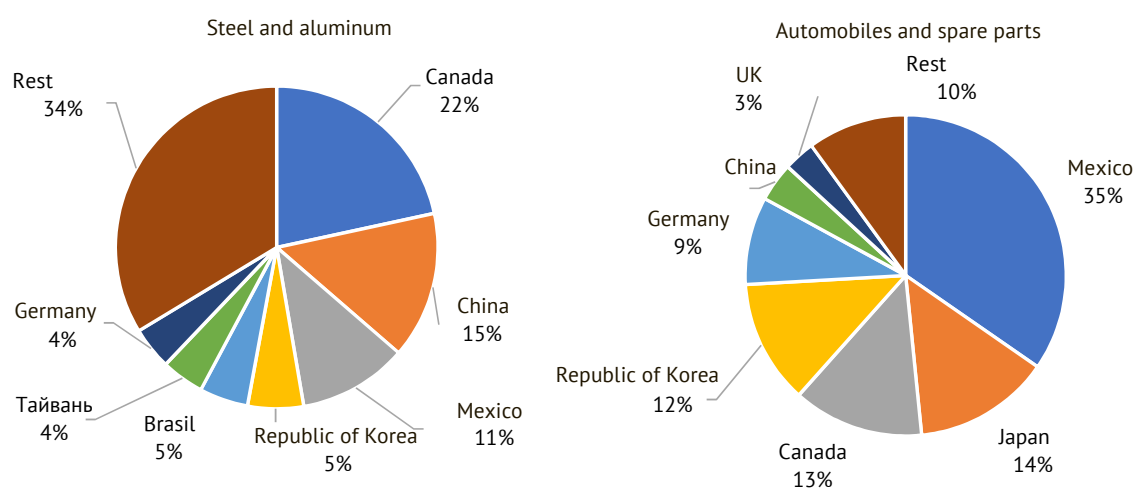


Fig. 1. Top suppliers of steel, aluminum, automobiles, and spare parts to US in 2024

Source: Own calculations on data released by ITC Trade Map.

1 Report to the President on the America First Trade Policy. Executive Summary. URL: <https://www.whitehouse.gov/fact-sheets/2025/04/report-to-the-president-on-the-america-first-trade-policy-executive-summary/>

2 USMCA – free trade agreement between the US, Mexico, and Canada, which entered into force on July 1, 2020.

3 Adjusting Imports of Automobiles and Automobile Parts into the United States. URL: <https://www.whitehouse.gov/presidential-actions/2025/03/adjusting-imports-of-automobiles-and-automobile-parts-into-the-united-states/>

4 Interest rates are calculated based on the amount of payments levied when applying a 25% tariff on imports of automotive parts, which account for 15% of the value of the car during the first year of compensation to automakers and 10% during the second year. Amendments to Adjusting Imports of Automobiles and Automobile Parts into the United States. URL: <https://www.whitehouse.gov/presidential-actions/2025/03/adjusting-imports-of-automobiles-and-automobile-parts-into-the-united-states/>

US trade policy: current situation and prospects

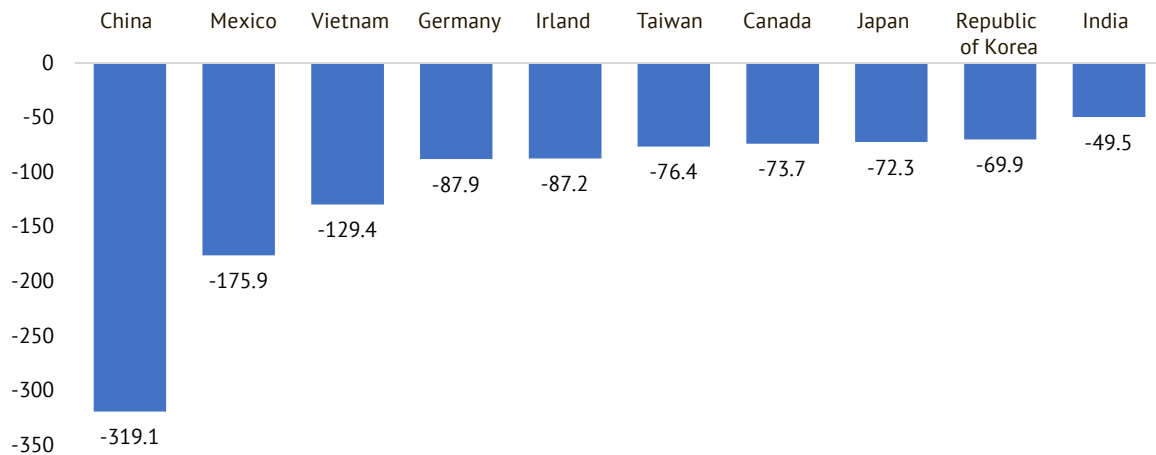


Fig. 2. US trade deficit with major trading partners, in billions of dollars

Source: Own calculations on data released by ITC Trade Map.

be applied in conjunction with other additional tariffs (duties on steel and aluminum, tariffs on goods from Canada and Mexico).¹

The key note of spring was the announcement of “reciprocal” tariffs on April 2. On the sidelines of the event “Make America Rich Again,” Donald Trump declared² a national emergency and, in accordance with the International Emergency Economic Powers Act (IEEPA), announced “reciprocal” import tariffs of 10% on all³ countries that are US trading partners. In addition, special increased import duties were announced for trading partners⁴ with whom the US has a trade deficit or whose policies the US considers anti-competitive, with a specific tariff rate for each country. For example, the tariff for EU countries was 20%, Liechtenstein – 37%, Japan – 24%, India – 27%, Vietnam – 46%, Pakistan – 29%, Zambia – 17%, and Equatorial Guinea – 13%. For China, a new tariff of 34% was added to the previously introduced additional duty of 20%.

The new tariffs cover all goods imported into the US, with the exception of product groups already subject to additional tariffs (steel, aluminum and products made from them, cars and auto parts). Exceptions also apply to energy products, certain types of pharmaceuticals, wood products, critical minerals, and semiconductors.⁵ Electronic devices and components were also excluded from the new country-specific tariffs: computers, telephones, monitors, projectors, semiconductors and their parts, and equipment for the production of integrated circuits.

In response to China’s announcement of retaliatory tariffs, Trump raised tariffs on goods from the PRC several times (in addition to the 20% imposed earlier): on April 8, from 34% to 84%; on April 9, to 125%.

www.whitehouse.gov/presidential-actions/2025/04/amendments-to-adjusting-imports-of-automobiles-and-automobile-parts-into-the-united-states/

1 Addressing Certain Tariffs on Imported Articles. URL: <https://www.whitehouse.gov/presidential-actions/2025/04/addressing-certain-tariffs-on-imported-articles/>

2 Regulating Imports with a Reciprocal Tariff to Rectify Trade Practices that Contribute to Large and Persistent Annual United States Goods Trade Deficits. URL: <https://www.whitehouse.gov/presidential-actions/2025/04/regulating-imports-with-a-reciprocal-tariff-to-rectify-trade-practices-that-contribute-to-large-and-persistent-annual-united-states-goods-trade-deficits/>

3 Including those with a trade surplus with the US. An exception was made for Mexico and Canada, for which the additional tariffs introduced in February and March, adjusted for the USMCA trade agreement, remained in effect. According to the White House statement, the tariffs also do not apply to Russia, Belarus, Cuba, and North Korea.

4 The relevant list includes 57 trading partners, including the EU and China.

5 Annex II. URL: <https://www.whitehouse.gov/wp-content/uploads/2025/04/Annex-II.pdf>

Monitoring of Russia's economic outlook

After “more than 75 trading partners” appealed to the US to resolve the issue of “lack of trade reciprocity,” Trump decided to postpone the entry into force of increased customs duties for trading partners (all except China) for 90 days, until July 9.¹ During this period, an additional 10% duty was imposed on these countries. During the 90-day pause in early June, additional tariffs on steel and aluminum were raised to 50%, which coincided with the period of review of the legality of Trump's actions to impose additional tariffs based on the provisions of the IEEPA.² From August 1, Trump also plans to impose tariffs on imports of copper and copper products at a rate of 50%.³

In early July, Trump granted another postponement for the imposition of global reciprocal tariffs, with the new date set for August 1. The postponement is accompanied by new tariff threats: on July 7, letters were sent on behalf of the US president to individual countries with new tariff conditions that will take effect on August 1 unless more favorable terms are agreed upon. In particular, rates were increased for the EU (from 20% to 30%), Canada (from 25% to 35% outside the USMCA), and Mexico (from 25% to 30% outside the USMCA). Conversely, rates for certain countries have been reduced from those announced on April 2: Cambodia, Laos, Bangladesh, Moldova, Myanmar, and others.⁴

China's countermeasures

Table 1

Non-tariff measures imposed by China on the US since the escalation of the trade conflict in 2025 (introduced in February–May 2025)

Measures	Scale
Export control	Rare earth metals and critical minerals (samarium, gadolinium, terbium, dysprosium, lutetium, scandium, and yttrium + tungsten, tellurium, bismuth, molybdenum, and indium). 43 US companies (in high-tech, including defense)
List of unreliable companies	Since February, 28 US companies have been added (ban on Chinese companies on export-import operations, investment cooperation)
Other measures	Anti-dumping investigation against suppliers of optical fiber and X-ray equipment. Antitrust investigation against Google. Suspension of imports from certain suppliers due to biological and environmental risks: soybeans, wood, sorghum, bone meal, and poultry meat.

Source: Own calculations on data of official PRC ministries and mass media.

In February and March, China's response to the additional 20% tariffs imposed by the US on all imports from China was selective and fairly moderate, demonstrating Beijing's caution in resorting to drastic measures. On February 4, additional tariffs of 15% were imposed on US coal and LNG, and 10% on oil and agricultural machinery. On March 4, these measures were supplemented by additional tariffs on agricultural products: +15% on poultry meat, wheat, corn,

1 Modifying Reciprocal Tariff Rates to Reflect Trading Partner Retaliation and Alignment. URL: <https://www.whitehouse.gov/presidential-actions/2025/04/modifying-reciprocal-tariff-rates-to-reflect-trading-partner-retaliation-and-alignment/>

2 Adjusting Imports of Aluminum and Steel into the United States. URL: <https://www.whitehouse.gov/presidential-actions/2025/06/adjusting-imports-of-aluminum-and-steel-into-the-united-states/>

3 Copper prices have surged to record highs – and they could jump higher. Here's why. URL: <https://edition.cnn.com/2025/07/17/investing/copper-prices-us-market-tariffs>

4 Trump's Trade Deals, Negotiations, and New Tariffs for Each Country. URL: <https://time.com/7300389/trump-trade-deals-tariff-letters-deadline/>

US trade policy: current situation and prospects

cotton, +10% on soybeans, pork, beef, fish and seafood, fruits and vegetables, and dairy products. China showed its determination after the introduction of the US “reciprocal” tariff: the initial retaliatory rate of an additional 34% on all imports from the US was eventually raised to 125%.

China is applying not only tariff measures against the US, but also a number of non-tariff instruments. For example, the range of goods and companies subject to export controls is expanding, new organizations have been added to the list of unreliable companies, and anti-dumping and antitrust investigations have been initiated.

Review of new tariffs as a result of negotiations

On May 8, the US signed a trade agreement with the UK.¹ Among other things, it provides for the maintenance of a 10% mutual tariff for the UK, the establishment of tariff quotas for imports of steel and aluminum into the US, under which certain volumes of metals and metal products will be supplied at reduced/zero duties, zero tariffs on certain types of aerospace products to promote technological cooperation. In addition, a quota of 100,000 British cars per year will be introduced for import into the US, which will not be subject to an additional 25% “car” tariff.²

On May 12, the US and China issued their first joint statement on the results of negotiations in Geneva.³ The parties agreed to change the application of existing tariff rates by May 14. In particular, the US will apply a 30% import tariff on China (including imports from Hong Kong and Macau) for a period of 90 days (thereafter 54%); it was decided to abandon the increased rates established on April 8 and 9. The PRC, in turn, will apply a 10% tariff on imports from the US for 90 days (further reduced to 34%) and will also cancel the increased rate of 125%. Thus, the period during which the US and China applied increased tariff rates to each other (145% and 125%, respectively) lasted approximately one month.

Ninety days were allocated to form more comprehensive and long-term agreements with China on a wide range of trade cooperation issues based on accumulated imbalances and interdependencies. After the May talks in Geneva, the situation escalated due to China's introduction of mutual export restrictions on critical minerals and US measures on software supplies for semiconductor production by Chinese companies, as well as restrictions on visas for Chinese students. On June 10, negotiators from the US and China reached new trade agreements, which must be approved by the presidents of both countries.⁴ In particular, these agreements involve the easing of export controls by China on rare earth metals and by the US on American technologies.

On July 2, Trump announced that a basic agreement had been reached with Vietnam, under which the US would impose a 20% tariff on virtually all imports from Vietnam, with a 40% tariff on goods transiting through Vietnam to the US.

1 The trade agreement requires ratification by Congress to enter into force, but certain provisions may enter into force upon the issuance of an order by the US President.

2 Fact Sheet: Implementing the General Terms of the U.S.-UK Economic Prosperity Deal. URL: <https://www.whitehouse.gov/fact-sheets/2025/06/fact-sheet-implementing-the-general-terms-of-the-u-s-uk-economic-prosperity-deal/>

3 Joint Statement on U.S. – China Economic and Trade Meeting in Geneva. URL: <https://www.whitehouse.gov/briefings-statements/2025/05/joint-statement-on-u-s-china-economic-and-trade-meeting-in-geneva/>

4 US China Agree on Framework to Implement Geneva Trade Consensus. URL: <https://www.cnbc.com/2025/06/11/us-china-agree-on-framework-to-implement-geneva-trade-consensus-.html>

Monitoring of Russia's economic outlook

Table 2

Additional import duties applied by the United States as of July 20, 2025

Import tariff rate	Goods covered	Countries to which the provisions apply	Validity period	Justification
30%	All goods, except for certain product groups (electronics, critical materials, timber, pharmaceuticals, etc. + goods with separate duty rates)	PRC, Hong Kong, Makao	From May 12, 2025 (revision of previously introduced tariffs)	IEEPA
10%	All goods, except for certain products groups (electronics, critical materials, timber, pharmaceuticals, etc. + goods with separate duty rates)	All countries except China, Hong Kong and Makao	From April 9, 2025	IEEPA
25%	All goods outside the scope of the USMCA, except for energy products and potassium carbonate	Canada	From March 7, 2025	IEEPA
10%	Energy sources and potassium carbonate	Canada	From March 7, 2025	IEEPA
25%	All goods outside the scope of the USMCA, except for potassium carbonate	Mexico	From March 7, 2025	IEEPA
10%	Potassium carbonate	Mexico	From March 7, 2025	IEEPA
25%	Steel and Aluminium	All countries (not combined with duties for Canada and Mexico)	From March 12, 2025	Chapter 232 TEA
25%	Passenger cars, light trucks and major auto parts	All countries (not combined with duties for Canada and Mexico, for these countries, only the value of components manufactured outside the US is subject to duty)	From April 3, 2025 (for spare parts from May, 3)	Chapter 232 TEA

Note. The parameters of transactions with the UK and Vietnam are not included, as the details of the agreements are still being worked out.

Source: Own compilations.

At the same time, Vietnam will eliminate import tariffs on goods from the US.¹ The agreements are still being worked out in detail, with the parameters for various goods being clarified, so a number of questions remain open. Firstly, will the announced US tariff rates be in addition to the existing ones or will they replace the MFN rates fixed in accordance with WTO commitments? Secondly, the approach to identifying goods transshipped through Vietnam, i.e., the set of provisions related to determining the country of origin of goods, as well as the control mechanism in this area, remains unclear. Obviously, the key objective is to reduce the risk of Chinese exports being diverted. The question is how much Chinese investment and production in Vietnam will be affected by the deal and its implementation.

On July 16, it was announced that agreements had been reached between the US and Indonesia, another ASEAN economy. The tariff agreements are similar to those for Vietnam: a 19% duty will be imposed on Indonesian exports to the US (the level of mutual tariffs announced in April was 32%), and 0% in the opposite direction. In addition to zero customs duties, Indonesia has committed

¹ Trump announces a US trade deal with Vietnam. URL: <https://edition.cnn.com/2025/07/02/business/trade-deal-vietnam-trump>

US trade policy: current situation and prospects

to purchasing \$15bn worth of energy resources, \$4.5bn worth of agricultural goods, and 50 Boeing aircraft from the US. The details of the agreements are still being worked out.¹

Thus, the shocks of US tariff policy, new trade deals, and the generally unpredictable approach to current US trade policy are once again reshaping the conditions of international trade under the most-favored-nation and preferential trade regimes, affecting not only trade but also investment flows and the development of industrial and technological cooperation.

The question of the legitimacy of Trump's tariffs and the prospects for new deals

The fact that Trump imposed a 90-day pause on increased tariffs on affected partner countries and ultimately extended it by another 21 days, as well as creating a number of exemptions from the tariffs, including for supplies from China, indicates the high dependence of the US on imports within established value chains.

The key motive mentioned by Donald Trump is the return of manufacturing to the US, which should reduce dependence on imports and trade imbalances and create additional jobs. Against the backdrop of the new US trade policy, companies such as Apple, Nvidia, TSMC, Eli Lilly, Abbott Laboratories, Merck, Roche, Hyundai, Toyota, and GE Aerospace have announced plans to expand investment in manufacturing capacity in the country. Eli Lilly, Abbott Laboratories, Merck, Roche, Hyundai, Toyota, and GE Aerospace² have announced plans to expand investment in manufacturing capacity in the country. Obviously, investment and the implementation of manufacturing relocation projects take time. Assessing the benefits and risks amid high uncertainty regarding US trade policy complicates decision-making at the firm level.

The question of the legitimacy of the tariffs imposed by Trump on the basis of the IEEPA only adds to this uncertainty. In April, 12 US states³ and five companies⁴ filed lawsuits against the Administration in the US Federal Court of International Trade, demanding that the tariffs imposed by Trump on the basis of the IEEPA⁵ (i.e., additional country-specific “reciprocal” duties) be revoked. In May, the court ruled that the president had exceeded his authority and that the relevant executive orders were illegal.⁶ However, the Trump administration refused to comply with the court's decision and appealed to the Federal Court of Appeals, which in turn granted a request for a temporary stay of the lower court's decision.⁷ Thus, the country-specific tariffs introduced in 2025 (“reciprocal” tariffs and duties on China, Canada, and Mexico) may remain in effect until the appeal process is completed—the hearing is scheduled for

1 Striking trade deal with US was an ‘extraordinary struggle,’ Indonesia says. URL: <https://edition.cnn.com/2025/07/15/economy/trump-says-trade-deal-with-indonesia>

2 These companies have announced their intention to increase US manufacturing amid Trump's first 100 days. URL: <https://www.foxbusiness.com/economy/companies-have-announced-intention-increase-us-manufacturing>

3 A dozen US states sue to stop Trump's ‘reckless and insane’ tariff policy. URL: <https://www.theguardian.com/us-news/2025/apr/23/us-states-sue-trump-tariff-policy>

4 In the United States Court of International Trade. URL: <https://www.courthousenews.com/wp-content/uploads/2025/05/vos-selections-trump-tariff-lawsuit.pdf>

5 Donald Trump is the first US president to impose import duties based on the IEEPA. Previously, the law was typically used to impose sanctions on US “adversaries.”

6 United States Court of International Trade. URL: <https://www.cit.uscourts.gov/sites/cit/files/25-66.pdf>

7 United States Court of Appeals for the Federal Circuit. URL: https://www.ca9c.uscourts.gov/opinions-orders/25-1812.ORDER.5-29-2025_2522636.pdf

Monitoring of Russia's economic outlook

July 31, 2025. There is a possibility of a radical change in the situation at the end of July following the outcome of the appeal against Trump's tariffs, which weakens the US's negotiating position.

This situation is clearly not conducive to progress in negotiations with partners. Trump is seeking deals in which tariff removal or reduction would be accompanied by measures to expand imports from the US, eliminate barriers and discriminatory trade practices, develop investment cooperation in the interests of American business, etc. One of the key issues for the US is likely to be tightening the rules for determining the country of origin of goods in order to reduce the risk of Chinese exports being redirected to the US via third-country markets. This is already evident in the agreements reached with Vietnam.

However, many countries are very interested in the US market. India, like Vietnam, is extremely interested in striking a deal, as it will be able to once again intensify its strategies to attract production cooperation chains and investments to its market. Negotiations between India and the US have been ongoing since February, with five rounds already completed. The parties are aiming to conclude an interim agreement by August 1. It is important for India to be excluded from sectoral tariffs (metals and automobiles) and to secure concessions from the US on labor-intensive industries (textiles, jewelry, chemicals, and certain types of agricultural products). The US is primarily focused on creating preferential access conditions for industrial products.¹

The US is engaged in intensive negotiations with the EU, which accounts for about 20% of US imports, with similar figures recorded in 2024 for the US share of EU exports. It is essential for the EU to secure exemptions from sectoral tariffs, as well as for key European exports such as pharmaceuticals, medical equipment, food products, etc. The complexity of the negotiations is underscored by the EU's readiness to introduce retaliatory measures against the US if the talks fail. One package of measures worth €21bn was already approved by the EU in April, but its entry into force was postponed for the duration of the negotiations, while a second package worth €72bn on imports from the US is currently under discussion.²

Negotiations are also underway with Japan, South Korea, Taiwan, and other countries. With regard to China, the scenario is currently uncertain. The Chinese leadership is currently pursuing a fairly tough line, but internal problems, the Chinese economy's continued dependence on exports, and the lack of strong internal growth drivers are creating conditions for softening of this categorical position. The development of the situation will depend on the success of the US negotiation tracks and the substance of potential deals with third countries, as well as on China's own negotiations with partners in Asia and other regions. The US is actively forming agreements with ASEAN, and China is also interested in further strengthening ties with the region's economies. In particular, the free trade agreement between China and ASEAN has recently been updated.³ Specifically, version 3.0 of the agreement contains new provisions on the digital economy, the green economy, and connectivity within supply chains.

1 India, US teams conclude fifth round of talks for proposed trade pact: Official. URL: <https://economictimes.indiatimes.com/news/economy/foreign-trade/india-us-teams-conclude-fifth-round-of-talks-for-proposed-trade-pact-official/articleshow/122777283.cms?from=mdr>

2 EU to ramp up retaliation plans as US tariff deal prospects dim. URL: <https://www.reuters.com/business/autos-transportation/eu-ramp-up-retaliation-plans-us-tariff-deal-prospects-dim-2025-07-21/>

3 China, ASEAN complete negotiations on upgraded free trade deal. URL: <https://www.reuters.com/markets/emerging/china-asean-complete-negotiations-free-trade-area-30-2025-05-21/>

US trade policy: current situation and prospects

The situation today is highly uncertain, and we should not expect the US negotiations to be wrapped up quickly. For Russia, the main threat isn't the tariffs in the new round of the trade war, but the risk of secondary sanctions against key trading partners among neutral countries over the Ukraine crisis.¹ At the same time, Russia and Russian companies need to monitor developments and the shaping of agreements with key trading partners (China, India, Vietnam, etc.) in order to assess the risks to markets that are priority for Russian exports, as well as threats to the Russian domestic market in the event of trade flows being redirected. ▲

¹ Trump threatens countries that do business with Russia with 100% tariffs. URL: <https://www.cbsnews.com/news/trump-russia-ukraine-war-tariff-threat-countries-that-do-business-with-russia/>

