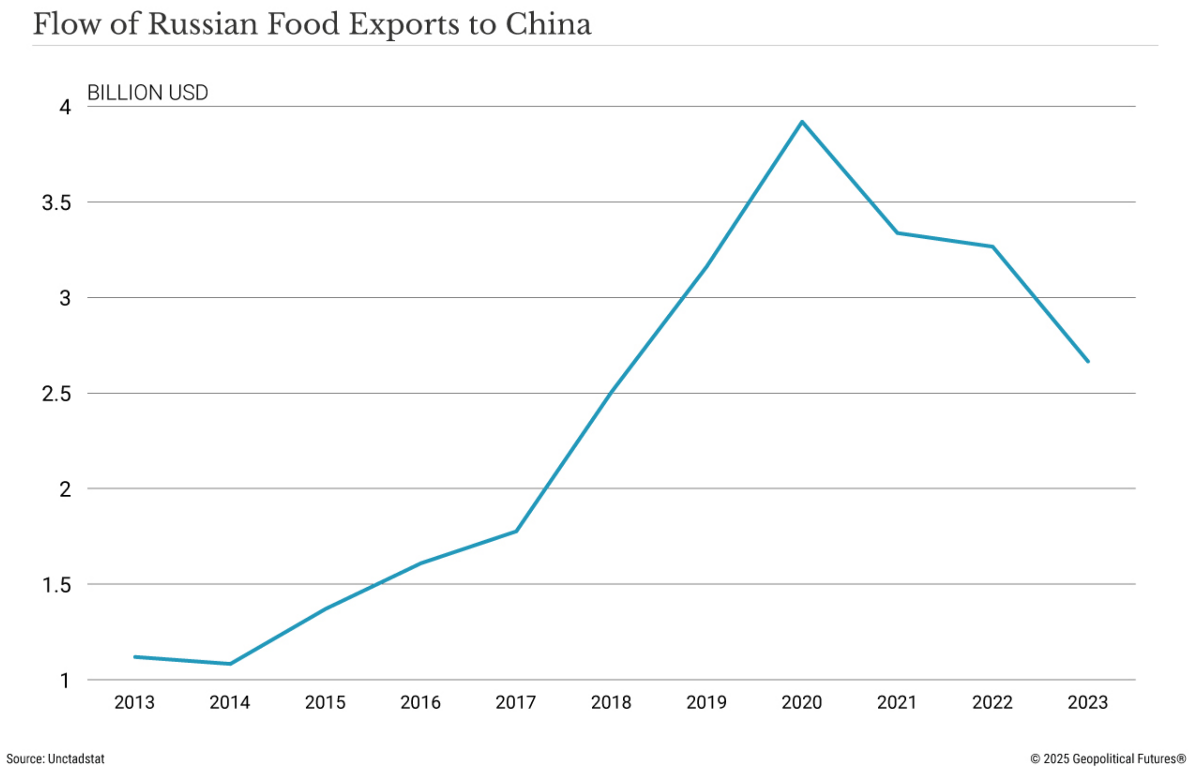
Russia's Place in the US-China Trade War

by Ekaterina Zolotova - February 12, 2025

Last week, Russian presidential press secretary Dmitry Peskov said Russia did not intend to get involved in the U.S. trade conflicts with Canada, Mexico and China, leaving the resolution of these issues to the participants themselves. But for Moscow, this is easier said than done. Despite all the international sanctions against it, Russia is still very much involved in global trade, and one of its key partners – China – will have no choice but to participate in the trade war.

To be sure, the previous trade war between the U.S. and China during the first Trump administration hurt the Russian economy. Certain restrictions such as aluminum tariffs hit Russia directly. But the conflict also had its benefits. At the time, the Russian economy was oriented primarily toward Europe, which accounted for more than 40 percent of Russian trade. The United States still openly traded with Russia, albeit at a much smaller rate (3.6 percent of Russia's total trade turnover). Moscow thus saw the trade war as an opportunity to diversify exports to the Asia-Pacific countries that were directly affected by the conflict and to make up for trade lost from sanctions imposed in 2014, when it annexed Crimea. In this way, Russia believed it could strengthen ties with China and wean itself off its dependency on Europe. There was, after all, a hole to fill after China increased duties to 25 percent on several U.S. goods. This was the moment that China's and Russia's interests on the matter aligned.

Agricultural products are a good example of the dynamics at play. In 2018, Russian President Vladimir Putin said the trade war between Beijing and Washington was an opportunity for Russia to supply food products to China. Soon thereafter, Moscow and Beijing agreed that Russia would supply poultry meat and other goods to China. In the first 10 months of 2019, supplies of agricultural products to China increased by 25.1 percent year over year to $2.6 billion. Russia soon became one of China's largest food suppliers. This cooperation dispelled Chinese companies' reservations over investing in the heavily sanctioned country. In 2019, for example, China's Joyvio Beidahuang Agricultural Holdings pledged to invest almost 10 billion rubles ($106 million) in Russian agriculture. Though the pandemic and the tightening of sanctions following Russia's invasion of Ukraine caused a dip, China's share of total Russian agricultural exports in 2023 alone climbed to just over 23 percent.



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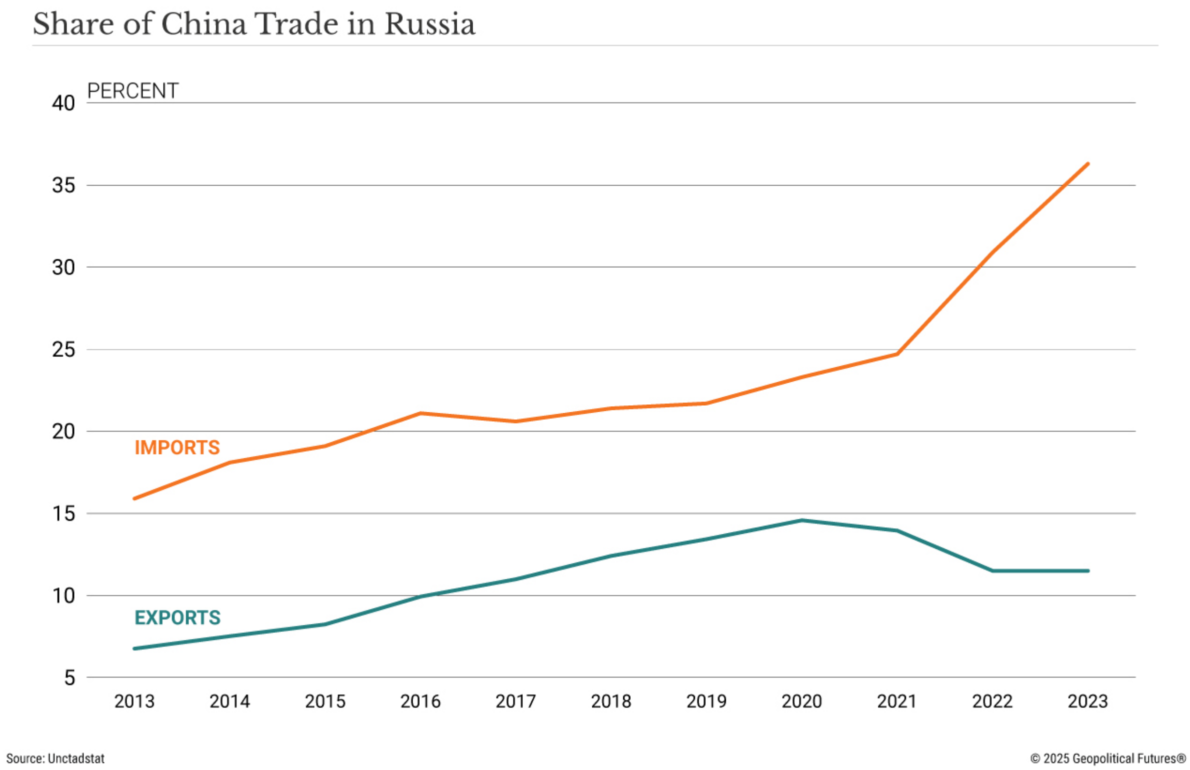
China's desire to diversify supplies allowed Russia to finally gain a foothold in the Asia-Pacific market – not just as a supplier of cheap energy resources but as a legitimate trade partner. In 2018, trade turnover with China increased by 25 percent (44 percent in exports but just 8 percent in imports), amounting to $108 billion, and Russia achieved a positive trade balance. This led then-Prime Minister Dmitry Medvedev to announce a goal to increase mutual trade to $200 billion.



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But Russia's circumstances are fundamentally different in the current trade war. For one thing, the United States' and China's respective goals are different today than they were in 2018. Back then, the U.S. wanted to reduce the deficit in mutual trade. Now, there is a broader strategic objective of weakening China, which, despite internal problems, is still a competitor to developed countries in the high-tech sector, artificial intelligence and logistics. More important, Russia is much more weakened and isolated today than it was six years ago. The sanctions from the annexation of Crimea were far less severe than the sanctions of today, which have already had a major impact on Russian trade flows and foreign exchange earnings. And since Russia is more closely tied to China now than it was previously, it is more vulnerable to shocks in the Chinese economy. Over the past three years, not only has Russia been the largest supplier of oil and gas to China, but China has been a major buyer of Russian metals, agricultural products and manufactured goods. If the trade war hurts the Chinese economy by, say, curbing domestic demand, then it will adversely affect Russian exports, which, in turn, will deprive Moscow of much-needed foreign currency. Decreased demand in China, moreover, would likely lower the price of oil, which will devalue the ruble and accelerate Russian inflation.

In addition to the risk surrounding Chinese demand, Russia faces a new threat that didn’t really matter the first time around: the exchange rate of the yuan. Though the exchange rate against the dollar has been stable lately, the value of the yuan could spiral amid a weakening economy. Because of sanctions, Russia has reduced the use of the dollar and the euro as means of payment and storage, and the yuan plays a key role in the formation of reserve assets for the Bank of Russia. The decline of the yuan, then, could threaten Russian savings.

Crucially, Russia lacks the kind of opportunities for diversification it had in 2018. That year, it could afford to diversify trade partners – that is, pivot to East Asia – because it still had a relatively healthy trade relationship with the West. Take the example of aluminum. Sanctions against Russian aluminum company Rusal caused supply to drop by a massive 64 percent. Much of this had been going to the United States. But later, Russia was able to redirect supplies of the same aluminum to East Asia, including South Korea. Russia is now in a situation in which trade flows are already entirely redirected to the east. But if demand there falls, Russia cannot simply go back to the U.S. or the West. The same applies to Russian oil and gas. Beijing has long been committed to a policy of diversifying energy sources, and Russian supplies already occupy a significant share of the Chinese oil and coal market.

Russia’s economy is on the brink of a slowdown, and the coming trade war between China and the U.S. will only make things more uncertain. Thanks to sanctions, Russia is no longer able to quickly replace shortfalls in exports that could arise from anti-China and anti-U.S. tariffs. Given U.S. President Donald Trump’s more protectionist economic policies – and given that the U.S. is still a major trade partner for China – the prospect of a China-Russia economic “coalition” to combat Washington is unlikely. Instead, China will prefer to maintain neutrality on issues that stoke tensions between Russia and the U.S., even if it keeps trade with Russia open. It’s a bad position for Russia to be in.

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