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## Issue Brief

# US-Russia Improving Trade Relations

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On May 29, 2017, Russian Trade Envoy Alexander Stadnik said that the volume of the Russian exports to the United States is increasing despite US sanctions and cooler bilateral relations.<sup>1</sup> The US-Russia bilateral trade relations have been subject to



**fluctuations from the onset but never has there been a time when trade between the two powers experienced a flat line.**

Russia has been primarily exporting oil and gas products, raw food products, machinery, ferrous and non-ferrous metals, precious metals, as well as logistical and IT services to the United States.<sup>2</sup> While the United States have been exporting aerospace technology, opto-electronics, advance materials and nuclear technology to Russia.<sup>3</sup> However, the bilateral trade has been more beneficial for Russia compared to the United States.

According to data from the Department of Commerce, Bureau of Industry and Security<sup>4</sup>, as well as more recent data from the US Census Bureau<sup>5</sup>, the US has long held a trade deficit with Russia, meaning that it has imported more goods than it has exported. But that deficit has dropped over the past five years from \$26.3 billion in 2011 to just \$6.7 billion as of October 2016. Trend of exports from Russia to US in the initial months (first 3) of the year 2017 are already better as compared to 2016 and show signs of further improvement in the upcoming months. See table below:

<sup>1</sup> <https://sputniknews.com/russia/201705291054086787-russis-us-exports/>

<sup>2</sup> <http://www.worldstopexports.com/russias-top-10-exports/>

<sup>3</sup> U.S. Census Bureau Trade Statistics, retrieved in March 2016

<sup>4</sup> <https://www.bis.doc.gov/index.php/forms-documents/technology-evaluation/ote-data-portal/country-analysis/1518-2015-statistical-analysis-of-u-s-trade-with-russia-pdf/file>

<sup>5</sup> <https://www.census.gov/foreign-trade/balance/c4621.html>

**2017 : U.S. trade in goods with Russia**

NOTE: All figures are in millions of U.S. dollars on a nominal basis, not seasonally adjusted unless otherwise specified. Details may not equal totals due to rounding. Table reflects only those months for which there was trade.

Month	Exports	Imports	Balance	
January 2017		314.4	1,221.5	-907.1
February 2017		427.7	1,022.0	-594.3
March 2017		538.6	1,697.9	-1,159.2
TOTAL 2017		1,280.7	3,941.4	-2,660.7

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As hard as it may sound to believe, but the American companies are investing more and more in Russia over the past few years. Boeing, PepsiCo and Ford have been doing business in Russia for decades and more US companies are establishing their presence in the country as well.<sup>7</sup> According to the Russian Trade Envoy, US companies are also interested in working on the Russian market, sometimes using it as a springboard to enter third countries' markets.

From a continental perspective, only 3.8% of the Russian exports go to the US.<sup>8</sup> This percentage is expected to improve in the coming years as Russia is gradually turning into a logistical market project, especially for the United States, as the latter wants to develop economic ties with the Eurasian continent.

Trade with the United States will prove to be highly beneficial for Russia. It is still anyone's guess whether the same could be said about the US. Russia has highly positive net exports in the international trade of both crude and refined oil. In turn, these cash flows indicate Russia's strong competitive advantages under the mineral fuels including oil category.

However, Russia has highly negative net exports and therefore deep international trade deficits when it comes to computers and high tech machinery. These cash flow deficiencies clearly indicate Russia's competitive disadvantages in the international machinery market, and also represent key opportunities for Russia to improve its position in the global economy through focused innovations, which can be achieved with exchange of technology and trade with the United States which pioneers the fields of computers, high tech machinery and information technology.

<sup>6</sup> Ibid

<sup>7</sup> <https://www.forbes.com/sites/kenrapoza/2016/08/03/headline-halah-t/#73aa3b635f99>

<sup>8</sup> Trade Map, International Trade Centre. Accessed on March 17, 2017

Since the settlement of exchange rates between Russia and the US, significant growth is also registered in value terms as well. Moreover, big Russian companies such as NLMK, Norilsk Nickel, TNK and others have their plants and successfully work in the United States exporting their products to third countries.<sup>9</sup>

Relations between the US and Russian business communities is a great silver lining for the general bilateral relations between the two powers. These ties can become the chief means for the improvement of relations which soured due to several reasons from the Ukraine crisis to the Syrian and Afghanistan conflicts.

There is a high probability of things returning to normal between the two states as the global political climate is changing, and with the presence of US President Donald Trump and his soft corner for Russia, it is highly likely that trade relations between the US and Russia will continue to grow. Russian President Vladimir Putin has also shown his willingness to work with the US to improve trade and help resolve issues of international security, especially in combating terrorism. However, it remains to be seen how the new economic sanctions proposed by US legislators on May 31, 2017 would impact the positive trends in US-Russian economic relations.<sup>10</sup> But sane voices within the United States are also warning against any such step since there is a high probability of such a move proving to be extremely counterproductive for the American economy, as well as its image in the international community.<sup>11</sup>

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<sup>9</sup> <https://sputniknews.com/russia/201705291054086787-russis-us-exports/>

<sup>10</sup> <https://www.bloomberg.com/politics/articles/2017-05-31/senators-propose-stronger-u-s-sanctions-against-russia>

<sup>11</sup> [https://sputniknews.com/politics/201706021054226279-usa-russia-sanctions-backfire/?utm\\_source=adfox\\_site\\_41917&utm\\_medium=adfox\\_banner\\_2103038&utm\\_campaign=adfox\\_campaign\\_626012&ues=1](https://sputniknews.com/politics/201706021054226279-usa-russia-sanctions-backfire/?utm_source=adfox_site_41917&utm_medium=adfox_banner_2103038&utm_campaign=adfox_campaign_626012&ues=1)