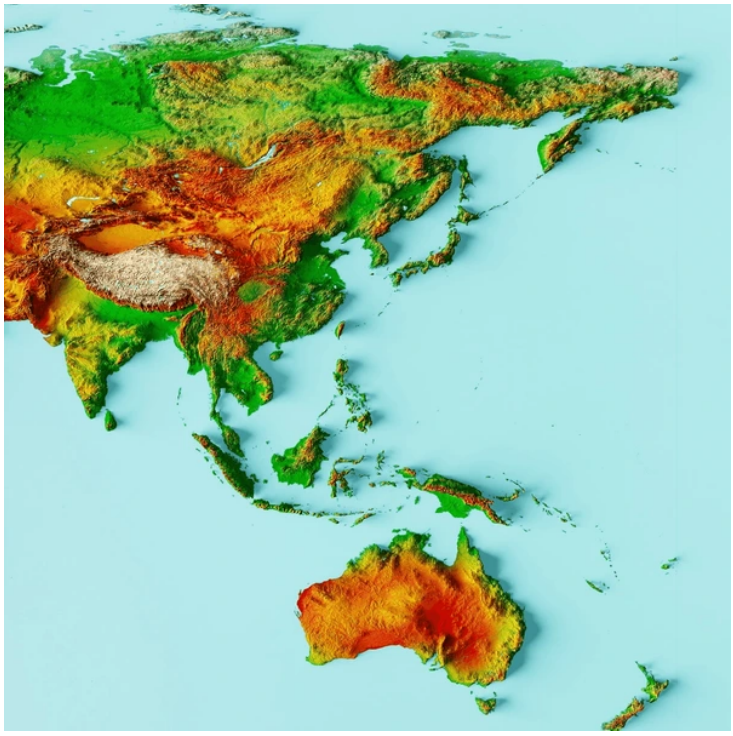
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# Tariffs, tradecraft and turbulence: How 2025 rewired Asiaâ??s agri economy

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What distinguished 2025 from earlier episodes of protectionism was not merely escalation, but intent. Tariffs were no longer episodic responses to domestic political pressure or trade imbalances. They became systemic tools of statecraft, used to discipline trading partners, signal geopolitical alignment, manage inflation, and re-engineer supply chains. Agriculture and agri-foodâ??once treated as sensitive sectors to be insulated from trade warsâ??were pulled decisively into the crosshairs.

The result was not a uniform slowdown across Asia, but a profound reallocation of growth, capital, and competitiveness. Some economies absorbed the shock through diversification and regional integration. Othersâ??more exposed to Western demand or narrow growth enginesâ??stumbled. At the center of this reset stood a single catalyst: the United Statesâ??

reciprocal tariff regime.

**When Reciprocity Turned Punitive: The U.S. Tariff Doctrine Expands**

In 2025, Washington aggressively expanded what it framed as a reciprocal tariff regimeâ??a doctrine that justified punitive import duties as corrective responses to perceived protectionism abroad. What began as a manufacturing-centric strategy quickly widened. Agricultural and agri-food commoditiesâ??processed foods, spices, horticulture products, and value-added farm exportsâ??were swept into the policyâ??s broad ambit.

India and China emerged among the most exposed. Both faced double-digit tariff increases across a wide spectrum of agri and processed food exports to the U.S. market. For India, the shock was immediate. High-value categories such as tea, coffee, spices, tropical fruit concentrates, and essential oils suddenly faced duties as high as 50 percent, eroding competitiveness overnight.

The policy logic in Washington was geopolitical. The economic fallout at home was inflationary. Rising food prices and higher input costs quickly fed into domestic pressure, forcing a partial recalibration. By mid-2025, the U.S. granted exemptions on over 200 food items, easing consumer inflation and offering selective relief to exporters.

But the reprieve was tactical, not structural.

The broader macroeconomic signal was unmistakable: tariffs were no longer tactical irritants. They had become structural levers of economic posture. Costs of capital goods, fertilisers, packaging materials, and intermediate inputs rose across supply chains. Demand in key Western markets softened just as financing tightened. Exporters were compelled to rethink market concentration, contract duration, and risk exposureâ??often simultaneously.

Indian shipments of spices, coffee, and processed foods contracted sharply in the immediate aftermath of tariff escalation, stabilising only marginally after exemptions took effect. Pricing power remained constrained, compliance costs rose, and exporters increasingly treated the U.S. as a volatile rather than anchor market.

For China, the moment marked a more decisive rupture.

**Chinaâ??s Countermove: Retaliation Abroad, Re-Anchoring at Home**

Beijing responded to Washingtonâ??s tariff expansion not with restraint, but with design. As U.S. reciprocal tariffs widened through 2025, China escalated in parallel, lifting average tariffs on U.S. goods to above 50 percent, extending across nearly the entire import spectrum. Agricultureâ??once politically sensitive and strategically insulatedâ??was decisively pulled into the contest. Soybeans, dairy, feed ingredients, and agri-processed goods were no longer collateral damage; they became leverage.

The immediate effect was a sharp erosion of Chinaâ??s price competitiveness in North America. Chinese agricultural exports lost ground, while U.S. farm commodities struggled to retain market share in China. But Beijingâ??s objective was not tactical retaliation alone. The deeper consequence was structural: a deliberate and accelerated de-risking of Chinaâ??s agri-trade exposure to the United States.

Rather than preserving U.S. trade volumes at escalating political and economic cost, Beijing pivoted toward regional realignment and supply-chain sovereignty. Agricultural sourcing diversified away from the United Statesâ??soybean procurement shifted toward Brazil and Argentina, dairy imports favored Oceania and Central Asia, and feedstocks moved toward multiple Latin American and Eurasian suppliers. On the export side, China prioritized Asia, the Middle East, and emerging markets, where tariffs were predictable, demand growth strong, and trade diplomacy aligned.

The clearest evidence of this re-anchoring emerged in Chinaâ??s agricultural trade with Southeast Asia. In 2025, Chinaâ??ASEAN agri-food trade reached approximately USD 51 billion, rising close to 9 percent year-on-year, even as trade with OECD markets stagnated. Imports of rice and cereals surged by over 70 percent, plant oils rose roughly 17 percent, and seafood imports grew about 14 percent. Value-added productsâ??starches, dried roots, and packaged foodsâ??also expanded, reflecting a shift from raw input dependence to regional processing integration. Tariffs on intra-Asian trade were progressively reduced or eliminated under upgraded bilateral arrangements and RCEP-linked frameworks, allowing rice, fruits, seafood, coffee, and processed foods from ASEAN economies to flow into China with fewer barriers, even as access to Western markets remained restricted.

*A Tactical Truce: Managed Competition Replaces Open Escalation*

Late 2025 also brought a narrowly scoped, sector-specific recalibration in U.S.â??China economic relations. The bilateral deal included renewed agricultural purchases, a reduction of fentanyl-related tariffs, and a pause on Chinese export controls, signaling a tactical easing of tensions without undermining Chinaâ??s broader trade realignment.

China committed to stop exporting fentanyl precursors to the United States and to effectively eliminate current and proposed export controls on rare earth elements and critical minerals. Beijing also agreed to end retaliatory tariffs and non-tariff measures on U.S. agricultural and other goods, resuming transactional flows in select sectors. In particular, China pledged to purchase at least 12 million metric tons of U.S. soybeans in the last two months of 2025 and 25 million metric tons annually from 2026 through 2028, reassuring American farm states and stabilizing global oilseed markets.

In return, the United States agreed to reduce cumulative fentanyl-related tariffs on Chinese imports by 10 percent and suspend for one year Section 301 responsive actions related to maritime, logistics, and shipbuilding sectors. During this suspension, Washington will continue negotiations with China, while deepening industrial cooperation with South Korea and Japan to revitalize U.S. shipbuildingâ??underscoring that strategic competition, not reconciliation, remains the frame.

Taken together, the agreement marked a temporary easing of tensions. While transactional flows resumed, Chinaâ??s longer-term strategyâ??diversified sourcing, deeper ASEAN integration, and reduced reliance on any single corridorâ??remained intact. The truce stabilized volumes but did not restore dependency.

*Trade Realignment Solidifies*

Even as U.S. soybean shipments were scheduled to resume, Chinaâ??s agricultural trade had already been fundamentally restructured. ASEAN and intra-Asian trade became the primary stabilizer, with supply chains shortened, compliance costs lowered, and small-to-medium producers gaining access to markets previously hard to reach. Tariffs did not shrink Chinaâ??s trade footprintâ??they redirected it, embedding resilience through diversification and regional integration.

By the end of 2025, the outcome was unmistakable: agriculture had become both a lever of strategy and a barometer of resilience. Tariffs, once temporary instruments of pressure, were now permanent features in the architecture of global trade, shaping flows, redirecting supply chains, and compelling both the U.S. and China to recalibrate strategies across continents.

**India: Selective Protection, Strategic Diversification**

Indiaâ??s agri-trade strategy in 2025 was defined by balancing domestic stability with global market access, navigating tariff disruptions while capitalising on structural export strengths.

On the defensive front, New Delhi raised import duties on edible oils to support domestic oilseed growers, shielding rural incomes amid volatile global prices and chronic import dependence. Elevated edible oil duties helped contain import-induced price swings, but they also raised input costs for food processors and livestock producers that rely on imported feedstocks, squeezing margins just as exporters faced geopolitical tariff shocks in key Western markets.

Simultaneously, India pursued liberalisation where export competitiveness mattered most. A case in point was rice. After years of export controls, the government fully dismantled long-standing rice shipment restrictions in late 2024 and early 2025, sending a powerful signal to global buyers. The payoff was immediate. In FY2024-25, Indiaâ??s agricultural and processed food exports rose by over 13 percent, with rice shipments expanding sharply. Rice exportsâ??including basmati and non-basmati varietiesâ??reached $12.47 billion, up from $10.41 billion the year before, driven by stronger global demand following the removal of export curbs.

Rice alone accounted for more than half of Indiaâ??s agri-export value in that period, underscoring its structural importance and the impact of policy stability. In the first half of FY2025 - 26, rice exports continued to perform strongly: APEDA data show Indiaâ??s agricultural exports climbed approximately 12 percent year-on-year to $13.93 billion in Aprilâ??September 2025, with non-basmati rice rising nearly 28 percent by value and volume up more than 50 percent.

Beyond rice, other hallmark commodities illustrated Indiaâ??s export breadth in 2025:

Spices, a traditional mainstay, crossed the $4 billion threshold in 2024-25 and continued to anchor export momentum into 2025, reflecting Indiaâ??s leading global position in chilli, turmeric, cumin, and mixed spice blends. Coffee exports, including robusta and specialty Arabica beans, grew robustlyâ??with early 2025 figures showing export values up nearly 48 percent year-on-year in April alone, as global supply tightness supported prices and shipments.

Meat, dairy and poultry products also expanded in early 2025, with export values rising by roughly 15 percent in April compared to the year before, signalling diversification into higher-value protein shipments. These headline figures demonstrate that, despite tariff headwinds in the West, Indiaâ??s agri-export portfolio remained both diverse and growth-oriented.

To mitigate the tariff impact and broaden market access, India accelerated trade diversificationâ??prioritising the Gulf, Africa, and select developed markets where agricultural concessions were feasible or where India has deep historical ties. Africa, historically a strong destination for Indian rice, pulses, and staples, continued to account for a significant share of agri exports, while India deepened engagement with the Gulf Cooperation Council (GCC), including a landmark comprehensive economic partnership agreement with Oman granting zero-duty access to most Indian exports.

Trade data from 2023 (the most recent detailed breakdown available) show that Asia accounted for roughly 58 percent of Indiaâ??s agricultural exports, with Africa contributing about 15 percent and the U.S. roughly 13 percent. These regional patterns provided the basis for Indiaâ??s strategic redirection in 2025 away from over-reliance on tariff-exposed developed markets toward near-region and Global South demand hubs. At the same time, Indiaâ??s reliance on imported edible oils remained pronounced. Vegetable oils continued to dominate Indiaâ??s farm import bill, reflecting deep structural demand. Domestic edible oil production lagged consumption, necessitating imports of palm, soy, and sunflower oils despite heightened tariffsâ??underscoring the limits of selective protection when underlying supply gaps persist.

The strategic takeaway from 2025 was unambiguous: tariff protection can buy political stability, but export growth in an era of protectionist headwinds requires market access, diversification, and product upgrading. Indiaâ??s calibrated approachâ??shielding vulnerable producers at home while restoring credibility in core export segments and pivoting toward growth markets abroadâ??reflected an evolving trade playbook tailored to a fractured global tariff landscape.

**ASEAN and RCEP: Tariffs Reduced, Resilience Built**

If 2025 proved anything, it was that regionalism workedâ??not as a shield against global disruption, but as a system for absorbing it.

Under RCEP, intra-regional tariffs on agri goods, fertilisers, and processed foods continued to fall, while rules of origin were harmonized across 15 economies. Compliance costs dropped, supply chains shortened, and small-to-medium enterprises gained access to markets previously difficult to reach.

Vietnam, Malaysia, and Thailand leveraged these preferences to maintain export momentum. Vietnamâ??s agri-food exports into Asia grew steadily, Malaysia sustained processed food and palm oil exports, and Thailand preserved rice, seafood, and agro-industrial export growth. Regional trade densification shortened supply chains, reduced intermediate import dependence, and embedded redundancy and resilience.

RCEP did not eliminate volatilityâ??but it re-routed trade rather than letting it collapse, providing predictability that offset shocks from U.S. and EU tariff policies.

**Southeast Asiaâ??s Q3 Reckoning: Growth Under Tariff Pressure**

By Q3 2025, Southeast Asia was a live laboratory for tariff shocks: trade flows held firm, but growth split sharply across the region. According to " Southeast Asia quarterly economic review " by McKinsey & Company:

Vietnam emerged as the standout performer, recordingÂ 8.2 percent GDP growth, the fastest in the region. Manufacturing and construction accelerated, services remained robust, and foreign investment flows stayed resilient. Even as tariff-exposed export segments slowed late in the quarter, Vietnamâ??s diversified industrial base cushioned the blow.

Malaysia followed withÂ 5.2 percent growth, supported by strong global demand for electrical and electronics products. Manufacturing and consumer-linked services drove expansion, while mining rebounded sharply on higher LNG and crude oil output. Agriculture moderated slightly, reflecting shifting policy priorities.

Elsewhere, the picture darkened.

The Philippinesâ?? growth slowed toÂ 4.0 percent, its weakest since 2021. Services momentum faded, industrial growth stalled, and agriculture suffered as typhoons disrupted harvests. Tariffs amplified existing vulnerabilities.

Thailandâ??s slowdown was more severe. Growth fell toÂ 1.2 percent, with tourism weakening, services slowing, and both manufacturing and construction contracting for the first time in 2025. Even strong electronics exports could not offset broader demand softness.

Indonesia held steady atÂ 5 percent, but warning signs mounted. Foreign direct investment fellÂ 8.9 percent year-on-year, the steepest drop since early 2020, as tariff uncertainty and geopolitical risk dampened sentiment. Capital concentrated in strategic sectors such as mining and logistics, bypassing consumption-oriented industries.

Singapore grewÂ 4.2 percent, prompting an upward revision to its annual outlook. Yet non-oil domestic exports contracted unexpectedly as U.S. tariffs weighed heavily on shipmentsâ??one of the clearest illustrations of tariff transmission into real economic drag.

The lesson was unmistakable:Â tariffs did not slow Southeast Asia uniformlyâ??they sorted it.

**Agriculture in the Crosswinds**

In 2025, agriculture did not escape the crosscurrents of global economic turbulenceâ??it absorbed them indirectly, persistently, and unevenly. While the majority of reciprocal tariffs and trade tensions initially targeted manufactured goods, their reverberations extended deep into the food and agri-allied sectors. Slower services growth, particularly in tourism, hospitality, and urban consumption hubs, dampened domestic food demand in several Southeast Asian markets. Investment pullbacksâ??especially in cold-chain infrastructure, warehousing, and logisticsâ??delayed modernization efforts crucial for maintaining quality and export competitiveness. Even small fluctuations in fertiliser, pesticide, and seed import duties translated into meaningful input-cost volatility for farmers and processors, compressing margins at a time of rising energy and labour costs.

Yet the sector demonstrated remarkable resilience in pockets, and the explanation lay less in national protective tariffs and more in regional trade architecture and integration. Frameworks such as RCEP, upgraded ASEAN bilateral agreements, and intra-Asian supply chain arrangements provided structural cushions. Vietnam and Malaysia, for example, leveraged RCEP preferences to maintain export momentum for rice, seafood, and processed foods even as U.S. and EU markets became less accessible. Compliance costs dropped, supply chains shortened, and SMEs gained access to large, tariff-preferential markets without negotiating separate bilateral agreements. In short, agriculture held up not because of border walls, but because trade corridors within the region were predictable, diversified, and embedded.

Similarly, Indiaâ??s experience highlighted the limits of unilateral tariff protection. Import duties on edible oils shielded domestic producers but raised costs for downstream food processors and livestock farmers, demonstrating that insulation alone cannot fully mitigate global shocks. Export-oriented commoditiesâ??rice, spices, coffeeâ??flourished only where access to diversified overseas markets was available, from the Gulf and Africa to Asia, underscoring that trade resilience depends on integration, not isolation.

The 2025 experience underscored a critical lesson: agricultureâ??s performance is structurally intertwined with trade networks, supply chain efficiency, and market diversification. Protective tariffs may provide temporary relief or political stability, but long-term resilience in a world of persistent trade shocks is built through regional frameworks, predictable rules, and strategic alignment, not through national walls. In this sense, agriculture in Asia was less a passive victim of global trade frictions than an adaptive system navigating the crosswinds through connectivity and institutional foresight.

**What 2025 Ultimately Changed**

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By the end of 2025, three structural truths had crystallized across Asiaâ??s agri-economy and broader trade landscape:

First, tariffs are no longer episodic shocksâ??they are permanent instruments of economic strategy. What once appeared as sporadic trade friction became embedded in the calculus of production, investment, and supply-chain planning. U.S. reciprocal tariffs, Chinaâ??s retaliatory levies, and selective import duties in India demonstrated that governments now treat border measures as tools to achieve geopolitical leverage, manage domestic constituencies, and signal strategic intent. Trade uncertainty is no longer a temporary phenomenon to hedge againstâ??it is a structural feature of the new economic environment.

Second, resilience comes not from insulation but from integration. Nations and sectors that relied on isolationist protectionism paid a cost. Conversely, economies leveraging regional frameworks, bilateral agreements, and adaptive supply chains

buffered themselves from external shocks. RCEP-enabled flows, ASEAN intra-regional trade preferences, and Indiaâ??s diversified export corridors to the Gulf, Africa, and Asia illustrate the principle: predictable, flexible, and diversified market access is more protective than any tariff wall. Resilience is increasingly measured in the ability to pivot supply chains quickly, reduce compliance complexity, and maintain volumes amid shifting global conditions.

Third, agriculture can no longer be treated as a domestic policy silo. In 2025, farming, fisheries, fertilisers, and food processing were not merely economic sectorsâ??they were instruments of diplomacy, leverage, and strategic signaling. Beijing used soy, dairy, and seafood flows as both bargaining chips and regional connectors. India balanced farmer protection with export credibility, shaping its trade posture to align domestic welfare with international market access. ASEAN producers relied on RCEP to preserve trade volumes, demonstrating that agricultural policy is inseparable from geopolitical and economic architecture.

Taken together, these truths underscore a broader structural shift: Asia did not exit 2025 weakerâ??but it exited reordered. Growth favored economies combining industrial depth, trade agility, and policy clarity. Capital gravitated toward jurisdictions that offered certainty amid fragmentation. Agriculture, often the silent absorber of policy risk, became a barometer of strategic competence: who could maintain farm incomes, secure inputs, and sustain exports under layered tariff pressures became a marker of overall resilience.

For investors, policymakers, and agribusinesses, the implications are profound. Predictability, diversification, and connectivity are no longer optionalâ??they are core determinants of competitive advantage. Supply chains must be designed for agility, not just efficiency; trade corridors must be navigated as instruments of strategy, not as passive conduits.

As 2026 approaches, one conclusion is unavoidable: in a world where tariffs are strategy, adaptability is destiny. Countries and firms that internalize this reality, leveraging integration rather than insulation, will capture growth, manage risk, and shape the contours of the next decade. Those that cling to old notions of protection or market complacency will find themselves exposed to the crosswinds of a permanently restructured global trade architecture.

2025 was the year Asia recalibrated. The next decade will reveal who turned insight into advantageâ??and who became collateral in the era of tariffs as policy.

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