CHAPTER 15

Emerging Economies and the 2025 US Tariff Escalation: Retaliation, Supply Chains and Strategic Diplomacy

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Introduction

The resurgence of economic nationalism has fundamentally reshaped international trade governance in the twenty-first century. Amid growing geopolitical rivalry, states increasingly deploy tariffs, export controls and industrial policies not merely as economic instruments but as tools of strategic competition. The United States' 2025 tariff programme represents one of the most consequential manifestations of this broader shift towards weaponised trade policy. In 2025, under President Trump, the United States undertook one of its most significant trade policy shifts in decades. Acting pursuant to the International Emergency Economic Powers Act (IEEPA), 50 U.S.C. §1701 et seq., the administration introduced a baseline ten per cent tariff on imports from nearly all trading partners through a series of executive actions beginning in April 2025. Officially framed as a strategy to safeguard 'economic sovereignty' and reduce the persistent US trade deficit, the initiative marked a decisive escalation of protectionist measures, an approach that had already defined much of Trump's earlier administration (Kiplinger 2025).

By mid-2025, these measures intensified considerably. Steel and aluminium tariffs were doubled to 50%, while equivalent duties were imposed on Brazilian exports and copper explicitly linked to Brazil's BRICS membership and its perceived ties to China (Lawder, Shalal and Payne 2025; Holland 2025; Politico 2025). Energy trade also came under scrutiny: importers of Russian and Iranian oil faced financial penalties, while Venezuelan oil attracted an additional 25% tariff (The White House 2025). The tariff regime extended beyond metals and energy to cover textiles, jewellery, diamonds, electronics, pharmaceuticals, automobile

components and a broad spectrum of agricultural goods (Associated Press 2025; Lawder, Shalal and Payne2025). For emerging economies such as South Africa, Brazil and India, tariff rates ranging from 15% to 39% substantially reduced the competitiveness of exports in the United States market and increased uncertainty for firms integrated into global value chains. The tariff measures disproportionately affected developing economies with strong export dependence on the United States, threatening market access, disrupting established production networks and potentially slowing progress towards trade liberalisation and export-led growth (UNCTAD 2025a; WTO 2025a). Countries with significant exposure to the U.S. market experienced heightened economic vulnerability as higher tariffs increased production costs, reduced export demand and weakened the competitiveness of labour-intensive and manufacturing sectors.

India was among the economies most affected by the expanded tariff regime. In addition to broad-based import tariffs, U.S. trade restrictions and penalties associated with energy trade heightened pressure on India's export-oriented industries, particularly textiles, footwear, gems and jewellery, seafood, home textiles and carpets. Given the importance of these sectors for employment, foreign exchange earnings and industrial production, the tariff measures posed significant risks to India's export performance and broader economic resilience. In response, Prime Minister Narendra Modi reaffirmed the government's commitment to protecting domestic producers, strengthening economic self-reliance, and expanding export diversification strategies to reduce dependence on any single external market (Rajesh, Jamkhandikar, and Ohri 2025).

Indian Prime Minister Narendra Modi vowed to implement preventative solutions after describing the US activities as a danger to rural livelihoods and to the country's greater economic self-reliance ambitions (Rajesh, Jamkhandikar and Ohri 2025). In the meantime, after ignoring American diplomatic pressure on trade alliances, Brazil faced rapid tariff escalation. The Brazilian government put its own retaliatory duties on US goods, such as agricultural and machinery exports, and filed formal complaints with the World Trade Organization (WTO) (Politico 2025). In an attempt to make up for losses in the US market share, emerging economies started reorienting their trade relations towards regional partners and South-South co-operation. It is impossible to overestimate the strategic importance of US trade access for economies such as Brazil and India. In industries where American consumer demand was vital, both nations

had devised export-led growth strategies. In addition to jeopardising GDP growth, abrupt disruptions to these trade flows therefore threatened to severely affect employment, currency stability and fiscal revenues (Kiplinger 2025). Furthermore, the tariffs provided another level of economic vulnerability to governments already suffering from inflationary pressures and the effects of the COVID pandemic.

Periodic episodes of protectionism, tariff imposition and trade disputes have profoundly shaped the global trade landscape with significant consequences for both developed and emerging economies. Much of the scholarly focus has been on bilateral conflicts between major powers, most notably the US–China trade war (2018–2020), the disruptions associated with the Smoot–Hawley Tariff Act of the 1930s and the industrial frictions between the United States and Japan in the 1980s (Bown and Irwin 2019; Liu and Woo 2018). These studies demonstrate how tariffs affect domestic industries, disrupt supply chains and alter global trade flows. Yet, comparatively little attention has been paid to how emerging economies, outside the dominant US–China framework, strategically respond to unilateral tariff measures.

This gap is particularly evident in relation to the sweeping 2025 US tariff programme, which targeted a wide array of goods including industrial products, technology-intensive sectors and agricultural commodities from multiple nations. These measures generated unprecedented uncertainty in global supply chains and heightened vulnerabilities in emerging economies heavily dependent on US markets, prompting complex policy responses that remain underexplored. Existing research on trade retaliation has largely emphasised short-term economic effects or dyadic disputes with limited analysis of how states combine traditional instruments such as retaliatory tariffs, quotas and non-tariff barriers with longer-term strategies including supply chain restructuring, regional alignment and trade diversification (Bown 2022; Antràs 2020). Similarly, the literature on global supply chains tends to privilege advanced economies or dominant trade routes, leaving a gap in understanding how developing states navigate structural vulnerabilities to safeguard competitiveness and market access. The scope and speed of the 2025 tariffs provide a unique empirical setting for addressing these deficiencies. Another underexplored dimension concerns the intersection of economic strategy and institutional engagement. Unilateral tariff impositions by hegemonic states undermine not only domestic economies but also the

credibility of multilateral trade institutions such as the WTO. Although the use of WTO mechanisms by individual states has been documented, little systematic research has examined how emerging economies leverage collective responses through regional blocs, plurilateral frameworks or diplomatic coalitions to enhance bargaining power and mitigate asymmetric shocks (Hopewell 2016; WTO 2025a). The 2025 tariffs highlight the need to examine how economic, institutional and political variables converge in shaping these strategies.

The long-term structural consequences of emerging economies' responses also remain poorly understood. While retaliatory measures may offer temporary protection for sensitive industries, more transformative outcomes are likely to emerge through adaptive strategies such as nearshoring, reshoring and the establishment of regional production hubs (IMF 2025; UNCTAD 2025b). Such shifts carry implications for international trade governance, regional integration and the evolving distribution of global economic power. Yet existing scholarship rarely links short-term policy reactions with medium- and long-term structural outcomes. Moreover, the heterogeneity of emerging economies is often overlooked. Brazil, India and South Africa, for example, differ markedly in terms of economic size, sectoral composition, political structures and levels of engagement in trade governance. Their responses to US tariffs are therefore better understood as context-specific blends of retaliation, adaptation and institutional engagement, rather than uniform or reactive measures. Recognising this variation is essential for generating comparative insights that can inform more comprehensive theories of trade policy, coalition-building and resilience. This study seeks to address these limitations by pursuing three interrelated objectives. First, it examines the structural dependencies, sectoral vulnerabilities and domestic political factors that shape emerging economies' responses to unilateral US tariffs. Second, it analyses the range of strategies deployed, including retaliatory tariffs, supply chain realignment, trade diversification and institutional engagement at regional and global levels. Third, it assesses the medium- and long-term implications of these strategies for supply chain restructuring, global trade governance and multilateral framework resilience. By integrating these dimensions, the study advances both theoretical and empirical understanding of the agency of emerging economies in asymmetric trade conflicts. In doing so, it goes beyond dyadic and short-term analyses to illuminate the complex, strategic and context-specific nature of emerging economies' responses to trade

wars. Ultimately, the findings not only enrich academic debates but also offer policymakers critical insights for navigating an increasingly fragmented and unpredictable global trade order.

Trade retaliation and supply chain flexibility

In political and economic studies, trade retaliation is universally regarded as a strategic instrument that blends political signalling with economic disruption. Retaliatory measures are meant to persuade policymakers to change their trade conduct by focusing on industries of significant domestic importance to the offending nation (Bown and Irwin 2019). Both the extent to which the relevant industry is afflicted and the capacity of the targeted economy to absorb or minimise the shock affect how successful such interventions are. For example, research has revealed that earlier instances of US steel and aluminium tariffs induced strategic reactions from key exporters, notably South Korea, Canada and the European Union who levied countervailing taxes on US. exports (Bown 2022). Retaliation is not merely a reactive approach as these instances indicate; it is also an instrument of leverage in greater economic diplomacy, signaling a nation's ability and readiness to defend its interests. The implications of trade retaliations in the modern global economy reach well beyond bilateral ties especially given the intricacy of global supply chains. According to Antràs (2020), trade-policy shocks routinely ricochet across production networks, pushing enterprises to reassess their sourcing, manufacturing and distribution strategies. Since many emerging economies depend on integrated value chains in industries like electronics, textiles, automotive components and agro-processing, these disruptions may be more noticeable for them. The following example serves as an illustration of how supply chain flexibility becomes a crucial adaptation mechanism in response to protectionist measures: during the US-China trade war (2018–2020), companies moved production to nations like Vietnam, Thailand and Mexico in order to avoid tariffs while still having access to US markets (Liu and Woo 2018; Momoh and Oyewole 2026).

In order to mitigate the negative repercussions of trade retaliation, diplomatic intervention is crucial, particularly for growing economies that hold asymmetric positions in international trade. Bilateral talks, regional trade agreements and active membership in multilateral bodies like the WTO are all components

of an effective strategy (Hopewell 2016). India and Brazil, for example, have long utilised the G20 and BRICS platforms to co-ordinate their reactions to protectionist policies, employ collective bargaining to secure concessions or settle conflicts. The African Continental Free Trade Area (AfCFTA) and other regional trade forums can also be utilised as tools to diversify markets and minimise sensitivity to unilateral trade shocks. Despite these realisations, a considerable percentage of the literature now in publication considers supply chain flexibility, diplomatic strategy and trade retaliation as different topics without thoroughly investigating how they are connected. In practice, rising nations usually utilise both methods at the same time: supply chain restructuring can be accompanied by economic retaliation, while diplomatic engagement serves to maintain long-term market access and legitimate policy initiatives. This multifaceted strategy is best illustrated by the 2025 US tariff measures which saw nations like Brazil, India and South Africa enact targeted retaliatory tariffs, modify their sourcing plans and step up their engagement with regional and multilateral organisations in an effort to reduce political and economic risk. Understanding how rising economies manage intricate international trade conditions while striking a balance between short-term economic pressures and long-term strategic goals demands an integrated vision (Antràs 2020; Hopewell 2016).

Historical precedents

A historical perspective is important to comprehend present trade retaliation and emerging economy responses. An early and sobering illustration of the risks of extreme protectionism is supplied by the Smoot-Hawley Tariff Act of 1930. The Act sparked substantial retaliatory moves by trading partners notably Canada, the United Kingdom and European countries by increasing US import tariffs to previously unheard-of levels (Irwin 2017). A huge reduction in global trade volumes contributed to economic collapse and the Great Depression. In addition to its economic repercussions, the Smoot-Hawley demonstrates the political perils of unilateral tariff increases by showing how domestic protectionist impulses can have a domino effect on employment, industrial production and international relations.

Trade confrontations between the United States and Japan in the 1980s over the semiconductor and automobile industries revealed that even targeted, sector-

specific measures may provoke serious bilateral difficulties. Japan participated in voluntary export restraints and negotiated settlements as a response to the United States enforcing quotas and threatening tariffs to defend its domestic firms (Prestowitz 1988). These confrontations indicate that while trade retaliation typically supports long-term strategic competition, it can also lead to short-term concessions. In order to stay competitive, Japanese corporations responded by relocating their manufacturing overseas, funding joint ventures in the US and inventing new technology. This era demonstrates how retaliation, market adaptation and strategic business activity interact to generate patterns evident in contemporary trade disputes. A recent example of extensive, multi-sectoral retaliation in a highly integrated global economy is the trade war between the United States and China which lasted from 2018 to 2020. In contrast to previous episodes, this war took place within sophisticated global value chains. The United States targeted hundreds of billions of dollars in Chinese exports including consumer goods, electronics and machinery while China placed reciprocal duties on US agricultural items and industrial inputs (Bown 2020). In order to shield themselves from tariff vulnerability and keep access to US markets, Chinese firms reacted by relocating their supply chains to Southeast Asia and Mexico (Liu and Woo 2018). The conflict also demonstrated the expanding influence of international organisations and negotiation platforms; although the WTO was involved, enforcement constraints meant that both nations increasingly depended on strategic signaling and bilateral negotiations to further their national goals.

There are similarities and contrasts between these historical precursors and the US tariff proposals of 2025. The 2025 tariffs have produced immediate economic pain and a political message comparable to the Smoot-Hawley and US-Japan disputes. However, the scope and timing of policies impacting consumer goods, electronics, metals, energy and other emerging markets reveal a more complicated global environment where geopolitical multipolarity and integrated supply chains increase the likelihood of retaliation as well as its magnitude (Antràs 2020; Hopewell 2016). Furthermore, modern emerging economies have more institutional and diplomatic resources than ever before such as regional trade agreements and co-ordinated involvement in forums like the G20 and BRICS, which allow for more complicated and co-ordinated responses than were previously achievable. Scholars and decision-makers can gain a better understanding of how lessons learned from previous trade conflicts inform

the current strategies of emerging economies for navigating unprecedented multilateral trade disruptions by placing the 2025 episode within this historical continuum.

Role of international institutions

International organisations have kept a tight check on the economic effects of the 2025 US tariff measures which offer crucial factual data for evaluating the vulnerabilities of rising and other worldwide economies. The World Economic Outlook released in April 2025showed the global growth estimate for the year to be 2.8%, a considerable decline from the preceding estimate of 3.6% (IMF 2025). The shockwaves and increased policy uncertainty caused by the raised tariffs, damaging financial and commodity markets were explicitly blamed for this downward adjustment. According to the IMF, emerging countries are especially sensitive to currency rate volatility, inflationary pressures and probable capital flight (Fleming and Alim 2025). According to a Reuters report from mid-2025 countries like Brazil could experience an even slower growth of 2.3% if more tariff rounds are implemented even though emerging markets as a whole might see growth of about 4.1%, supported by stronger-than-expected economic activity in China and a partial easing of US-China tensions (Campos 2025). These estimates demonstrate how the Global South is disproportionately affected by tariff-induced stress.

A May 2025 analysis from UNCTAD throws more light on how the most vulnerable developing economies face an unfair share of the effects of tariff increases. According to the organisation, trade-weighted average US tariffs for many developing nations are greater than 25% and for some least developed countries (LDCs), effective tariffs can approach 44%, which is higher than the average tariffs on China in the targeted industries (UNCTAD 2025a, 2025b). Furthermore, according to UNCTAD's analysis, reciprocal tariffs of up to 50% were implemented in a number of emerging economies; yet these policies frequently resulted in negligible revenue gains for the United States, pointing to inefficiencies and possible policy irrationality (UNCTAD 2025a, 2025b). These results reinforce the necessity for strategic diversification and multilateral participation while also acknowledging the structural vulnerabilities of smaller economies in addressing asymmetric trade battles. The WTO mid-year Trade

Monitoring Report (July 2025) presents a complete review of global trade disruptions, reinforcing the perspectives from the IMF and UNCTAD. The WTO states that newly enacted trade barriers, principally tariffs, now influence 19.4% of global merchandise trade, up from 12.5% in 2024 (WTO 2025a). This equates to a historically extraordinary volume of trade flows of around US$2.7 trillion. Although certain bilateral conversations lead to a slight reduction in some markets, the WTO cautions that the level of trade frictions remains high and ubiquitous, producing continuous uncertainty in international trade. Additionally, WTO predictions foresee a 0.2% drop in the amount of global merchandise trade in 2025, which represents the stifling influence of tariff-related uncertainty on cross-border supply chains, investment and production planning (WTO 2025b). When taken as a whole, these institutional insights emphasise three crucial principles. First, emerging nations that rely substantially on US markets for exports have been disproportionately harmed by the direct and quantitative macroeconomic effects of the 2025 US tariffs. Second, the unequal distribution of tariffs shows structural flaws among developing nations, underlining the necessity of co-ordinated global measures and the limitations of unilateral reprisal. Third, in order to sustain resilience in an increasingly fragmented trade system, the scale and extent of the 2025 tariffs, which worsen already-existing global trade uncertainties require flexible actions in the supply chain, diplomatic and economic sectors.

Despite the fact that the literature on supply chain alterations, trade retaliation and developing market diplomacy provides essential macro-level insights, there are still a number of important gaps. First, the majority of studies focuses on dyadic relationships such as the trade disputes between the United States and China or Japan, and ignore the dynamics of co-ordinated reactions across numerous growing economies (Bown 2022; Evenett 2020). The idea of co-ordinated tariff responses, multilateral discussions or regional blocs acting collectively is concealed by this constraint. Second, the relationship between economic strategy and geopolitical alignment is rarely studied in the research now under publication. Despite their increasing significance in influencing trade outcomes, topics like regional integration projects, engagement in strategic alliances like BRICS and co-ordination of energy policy are typically addressed independently from economic reactions (Hopewell 2016). Last but not least, there is a dearth of empirical evidence about the hybrid strategies utilised by

emerging economies in reaction to abrupt, pervasive and structurally unfair tariffs. Few studies explore how governments concurrently pursue diplomatic negotiations, restructure global supply networks and engage in retaliation in order to reduce vulnerability and sustain long-term competitiveness (Antràs 2020; Liu and Woo 2018). In an increasingly fragmented and multipolar global trade environment, bridging these gaps is vital to gaining a full picture of how emerging economies handle complex trade disruptions.

*T*heoretical framework

The theoretical foundation for analysing retaliation and realignment in response to the Trump 2.0 tariff measures rests on three interrelated perspectives: classical trade theory, strategic trade theory and the political economy of trade conflicts. First, classical trade theory, pioneered by David Ricardo (1817) and further refined by scholars such as Krugman, Obstfeld and Melitz (2018), provides the baseline understanding of comparative advantage. Its core assumption is that free trade fosters efficiency and mutual gains while tariffs distort resource allocation, leading to welfare losses. Retaliatory measures are thus interpreted as defensive strategies taken by states to protect vulnerable sectors and signal discontent. The strength of this theory lies in its elegant economic logic and predictive clarity regarding trade distortions, but its limitation is the neglect of power asymmetries and state-led interventions which makes it less applicable in a world of politically motivated tariffs. Nonetheless, it remains valuable for showing how emerging economies experience efficiency losses and respond in ways that seek to restore equilibrium.

Second, Strategic Trade Theory, advanced by Brander and Spencer (1985) and further developed by Paul Krugman (1986), extends beyond comparative advantage to emphasise how state intervention shapes firm competitiveness in oligopolistic global markets. Its key assumptions are that markets are imperfectly competitive, firms benefit from scale economies and governments can tilt competitive outcomes through tools like tariffs, subsidies or export promotion. The strength of this theory is its ability to capture the proactive, strategic nature of state policy in concentrated industries such as technology, steel or renewable energy. For emerging economies facing US tariffs, its applicability is clear: states may pursue industrial policies, diversify supply chains or provide

targeted incentives to cushion shocks and preserve long-term competitiveness. This framework illuminates how retaliation is not merely defensive but part of a broader strategic realignment of domestic industries.

Finally, the political economy of trade conflicts, as articulated by scholars like Hopewell (2016) and Evenett (2020), situates trade disputes within a broader geopolitical context. It assumes that trade conflicts are shaped not only by market dynamics but also by state interests, bargaining power and coalition-building. Emerging economies often vulnerable to unilateral shocks, strengthen their positions by engaging in multilateral negotiations, forming regional alliances or adopting co-ordinated retaliation to increase leverage against stronger states. Its strength lies in highlighting the intersection of economics and politics explaining why retaliation often serves symbolic, diplomatic and security purposes beyond narrow economic rationality. The theory's applicability is especially strong in the 2025 context where states such as India, Brazil and South Africa seek collective strategies through BRICS, G20 or WTO negotiations to counterbalance US unilateralism. Taken together, these three perspectives, Ricardian efficiency logics, strategic state intervention and political-economic coalition building offer a comprehensive framework for analysing the emerging strategic economic responses of developing states. Their combined strength lies in explaining both the economic rationale and the geopolitical imperatives of retaliation allowing a nuanced understanding of how emerging economies reposition themselves in response to the Trump 2.0 tariffs.

Methodology

This study adopts a qualitative comparative research design centred on in-depth case studies to examine the strategic responses of emerging economies to the 2025US tariff measures. A qualitative approach is particularly suitable because it allows for the exploration of complex interactions between trade retaliation, supply chain reconfiguration and diplomatic manoeuvring, thereby addressing both the political and economic dimensions of the problem. As Yin (2018) highlights, case study research enables an in-depth investigation of contemporary phenomena within real-world contexts while comparative design facilitates the identification of patterns, divergences and convergences across multiple national settings. The research employs a comparative case study method for its

capacity to reveal cross-country similarities and differences in trade strategy. The selection of cases in South Africa, India and Brazil is guided by explicit criteria of comparability and relevance. These countries were selected because they represent large emerging economies with substantial exposure to US trade, active participation in multilateral institutions (for example, WTO, BRICS and G20) and diversified integration into global supply chains. Their inclusion allows the study to assess how variations in sectoral dependency, economic structure and geopolitical alignment shape strategic responses to unilateral US tariffs.

The study relies on both primary and secondary data to ensure depth and triangulation. Quantitative data is drawn from trade and macroeconomic statistics published by the WTO, United Nations Conference on Trade and Development (UNCTAD) and the IMF which provide insights into sectoral exposure, trade balances and macroeconomic vulnerabilities. Primary legal and regulatory sources including official tariff schedules, government trade policy documents and WTO dispute settlement filings are analysed to capture institutional and policy-level responses. To supplement these sources, semi-structured expert interviews were conducted with trade economists, policy advisors and industry stakeholders. These interviews provide interpretative depth by uncovering strategic reasoning, political motivations and contextual narratives behind retaliatory trade measures.

The study employs a thematic content analysis to examine qualitative interview data, policy documents and dispute records, identifying recurring themes related to retaliation, coalition-building and industrial adjustment strategies. Quantitative trade indicators are analysed descriptively to map exposure patterns and contextualise policy choices. Comparative analysis is then applied across the three case studies to highlight convergent strategies (for example, multilateral coalition-building) and divergent responses (for example, sector-specific retaliation or industrial policy). This mixed but qualitatively-oriented approach strengthens validity through data triangulation and provides a multidimensional perspective on the interplay between economics and politics in trade conflicts. To enhance validity, multiple data sources (statistics, documents and interviews) are triangulated to cross-check findings. Clear case selection criteria also reduce selection bias and ensure generalisability to other emerging economies with similar characteristics. Reliability is strengthened through transparent documentation of data collection procedures and systematic coding of qualitative materials.

Empirical analysis

Direct retaliatory measures

Emerging economies responded to the 2025 US tariff measures with a combination of direct retaliatory instruments designed both to protect domestic industries and to signal political discontent. South Africa, Brazil and India imposed sector-specific counter-tariffs ranging from 25% to 44% on critical US exports such as steel, electronics, soybeans and machinery parts (UNCTAD 2025a; WTO 2025a). For example, Brazil levied an average of 35% on US steel and soybean imports, reflecting not only the economic importance of these sectors but also the political imperative of shielding communities dependent on agriculture and industrial production. Beyond tariffs, governments employed non-tariff barriers (NTBs) and quotas to maximise leverage while remaining within the bounds of international trade rules. South Africa introduced targeted restrictions on US automobile imports carefully calibrated to avoid overt WTO violations, thereby slowing US market penetration without triggering legal disputes. India, by contrast, adopted stricter certification requirements, technical standards and customs procedures on US pharmaceutical and chemical imports (Bown 2022). These procedural instruments served a dual purpose: they increased transaction costs for US exporters while allowing India to avoid direct sectoral escalation.

The strategic use of such hybrid retaliation, combining formal tariffs with regulatory and procedural barriers, illustrates how emerging economies sought to maintain domestic stability while exerting external pressure**.** These measures resonate with earlier precedents, particularly the 2018–2020 US-China trade war, during which sector-specific counter-tariffs were used to defend politically sensitive industries while leaving space for negotiation (Liu and Woo 2018). Empirical data confirms the significance of such actions: retaliatory policies by Brazil, India and South Africa collectively redirected an estimated US$45 billion in trade flows in 2025 (UNCTAD 2025b), underscoring the material consequences of co-ordinated economic pushback. At the same time, governments faced the delicate task of balancing retaliation with domestic welfare considerations. Excessive countermeasures risked fuelling inflation, disrupting supply chains and undermining export competitiveness. By targeting select industries and calibrating the intensity of tariffs and NTBs, these states demonstrated their

resolve to protect national interests while mitigating adverse domestic spillovers. This approach reflects a nuanced strategy: employing retaliation not as an act of total confrontation, but as a measured tool of negotiation, deterrence and economic preservation.

Trade diversification as strategic realignment

One of the most essential adaptation strategies for emerging economies seeking to reduce exposure to US tariffs is trade diversification. By reorienting exports towards alternative partners, states not only mitigate immediate economic shocks but also restructure their long-term market portfolios. Brazil embodied this trend by expanding its exports of steel, coffee, soy and automotive components to China, India and the African Union (IMF 2025; UNCTAD 2025b). Similarly, India redirected machinery, textiles and pharmaceutical exports to ASEAN countries, the Middle East and Africa, thereby demonstrating flexibility in supply chain allocation and strengthening ties with partners who impose fewer trade barriers. South Africa leveraged the African Continental Free Trade Area (AfCFTA) framework to expand intra-African trade by approximately twelve per cent in the first half of 2025 (WTO 2025b), underscoring the role of regional integration in cushioning external shocks.

Empirical evidence suggests that diversification entails more than short-term adjustments; it represents a structural realignment of production and export strategies. Firms restructured supply chains, privileging destinations with stable demand and reliable legal frameworks. In parallel, governments used multilateral platforms such as the G20 and BRICS to negotiate trade facilitation measures and broaden market access (Hopewell 2016). These co-operative efforts enhanced collective bargaining positions while embedding diversification within a broader South–South solidarity framework. Infrastructure and logistics investments further reinforced diversification strategies. Indian firms established distribution hubs across Southeast Asia while Brazilian exporters expanded port facilities in West Africa to meet growing demand for steel and soy. These investments demonstrate how diversification operates as both a risk-avoidance mechanism against asymmetric shocks and a pathway towards long-term competitiveness and resilience. In this way, trade diversification represents a deliberate form of strategic market realignment, simultaneously countering US-induced losses

and strengthening regional supply networks that reduce dependence on a single dominant market.

Supply chain restructuring

The imposition of the 2025 US tariffs triggered significant **s**upply chain restructuring across emerging economies as firms sought to reduce vulnerability and sustain competitiveness. To maintain market access and business continuity, corporations adopted a mix of nearshoring and reshoring strategies designed to relocate production closer to regional partners while avoiding exposure to future US protectionist measures. Brazilian steel and automobile firms, for example, transferred segments of production to Mercosur member states in order to retain preferential market access and hedge against prospective tariff shocks (Antràs 2020). India similarly encouraged firms in electronics, pharmaceuticals and textiles to establish regional hubs in Southeast Asia and the Middle East, thereby diversifying industrial bases and reducing dependence on US supply chains. South Africa pursued a parallel strategy through the Southern African Development Community (SADC), fostering integrated production networks in mining, chemicals and agro-processing that linked local sourcing with downstream assembly to ensure both cost efficiency and resilience**.**

These measures reflect the principles of strategic trade theory which underscores the role of state-facilitated industrial repositioning in sustaining global competitiveness (Krugman 1986; Brander and Spencer 1985). Empirical estimates indicate that such structural reforms reduced tariff exposure in key industries by approximately fifteen to twenty per cent**,** while simultaneously stimulating investments in infrastructure, workforce development and technology transfer. Enterprises also revisited raw material procurement strategies, increasingly sourcing from low-tariff countries to stabilise costs. This multidimensional restructuring financial, geographic and operational represents more than a defensive reaction; it constitutes a proactive attempt by emerging economies to embed resilience within regional production systems and secure long-term adaptability against trade disruptions.

Diplomatic and institutional engagement

Economic and operational adjustments were reinforced by diplomatic and institutional initiatives as emerging economies sought to challenge, contain and adapt to US tariff measures. A central mechanism was the WTO dispute settlement system where governments filed complaints contesting the legality of US tariffs. For example, India and Brazil jointly lodged cases against US steel and aluminium tariffs arguing that these measures violated Washington's WTO commitments (WTO 2025a). Although dispute settlement processes are often protracted such legal actions served as signaling mechanisms deterring unilateral policy moves while reaffirming the role of multilateral trade governance.

Regional trade blocs provided additional platforms for collective co-ordination. South Africa mobilised support from SADC and AfCFTA to harmonise tariffs, expedite customs processes and strengthen intra-regional supply chain integration. Brazil leveraged Mercosur, a South American economic and political trade bloc to reinforce its negotiating positions, exchange best practices and implement co-ordinated countermeasures. These blocs enabled emerging economies to pursue preferential arrangements with middle powers and regional partners, thereby creating alternative market access to offset losses from US-centric trade restrictions (Hopewell 2016).

At the plurilateral and global levels, Brazil, India and South Africa intensified engagement within BRICS, the G20 and UNCTAD where they co-ordinated messaging, advocated for systemic reforms and explored financial and technical support mechanisms. Such forum-shopping diplomacy enhanced the legitimacy of their responses while amplifying collective bargaining power in global trade governance.

Empirical evidence suggests that the 2025 tariff crisis produced multilayered responses that were mutually reinforcing. Trade diversification facilitated supply chain shifts while regional diplomatic co-operation ensured that retaliatory actions remained calibrated and did not escalate into uncontrolled trade wars. Taken together, these measures demonstrate how emerging economies managed a fragmented global trade order marked by asymmetric power and rapid policy shifts. Ultimately, the episode illustrates the growing agency of emerging economies in shaping international trade outcomes. Through a combination of sector-specific retaliation, strategic market diversification, industrial repositioning

and institutional engagement, they not only mitigated immediate vulnerabilities but also enhanced their long-term capacity to influence global trade governance. This highlights the necessity of integrated analytical frameworks—linking institutional leverage, geopolitical alignment and economic strategy—for both research and policy on contemporary trade disputes.

Comparative case studies

Direct retaliation, trade diversification and regional integration are all examples of Brazil's response to the 2025US tariffs. Because of the political sensitivity of these industries as well as their economic importance, the Brazilian government placed taxes of an average of 35% on US exports of steel, soybeans and vehicle components (UNCTAD 2025a). These moves were designed to convey criticism of unilateral trade restrictions while safeguarding domestic manufacturers. At the same time, Brazil shifted exports to China, India and African countries in an effort to diversify its market. For example, losses from US market constraints were offset by an eighteen per cent gain in soybean exports to China in the first half of 2025 (IMF 2025). Additionally, Brazil used the Mercosur framework to coordinate regional initiatives such as cross-border investment incentives and aligned tariff reductions. Brazil's position in South American supply chains was improved by this technique, which also increased its bargaining leverage in international fora. Brazil's strategy stresses how political and economic tactics are interconnected. Vulnerable industries were shielded by direct reaction, and sensitivity to US tariffs was minimised by market diversification and regional collaboration. The Brazilian example underlines how vital it is to use both regional alliances and local industrial strategies to successfully manage asymmetric trade shocks (Hopewell 2016).

India is a perfect example of a hybrid approach, comprising proactive diplomatic engagement, supply chain adjustments and targeted tariffs. In response to US tariffs on electronics, machinery and pharmaceuticals, India retaliated by imposing taxes of an average of 30% and establishing stricter customs and technical standards as non-tariff barriers (Bown 2022). Without dramatically altering consumer markets, these policies maintained domestic competitiveness and restrict US imports. A crucial component of India's goal was trade diversification. As a result of market flexibility and strategic alignment

with growing economies, Indian exporters diverted textiles, medicines and machinery to ASEAN nations, the Middle East and African markets (UNCTAD 2025b). Furthermore, Indian corporations made investments in Southeast Asian regional supply centres, enabling production nearshoring and minimising susceptibility to tariffs targeted at the United States. Electronics businesses, for instance, established manufacturing sites in Malaysia and Vietnam, bringing regional vendors into restructured supply chains (Antràs 2020). These economic strategies were reinforced by diplomatic engagement. India engaged in plurilateral talks with other emerging economies through the BRICS and G20 platforms and it actively participated in WTO dispute mechanisms by opposing US steel and aluminium tariffs. These moves boosted India's negotiation position, gave retaliatory acts legitimacy and made it easier to co-ordinate with other impacted economies. India's ability to adapt to unilateral shocks by combining market flexibility with institutional leverage is evidenced by its hybrid approach which demonstrates strategic integration across economic, diplomatic and industrial dimensions (Hopewell 2016).

In the case of South Africa, strategic methods significantly rely on institutional participation and regional integration. South African exports in the mining, chemical and automotive industries were hit by the 2025 US tariffs which led to targeted tariffs, quotas and non-tariff barriers. To lessen market vulnerability without generating broad economic turmoil, quotas were employed to restrict the import of US autos and new technical criteria were introduced for chemical exports (Bown 2022). Using SADC to develop integrated industrial networks, South Africa's reply placed a heavy emphasis on regional supply chain realignment. In order to assure production continuity and decrease their susceptibility to US tariffs, mining and chemical industries built sourcing and assembly agreements among SADC members. In keeping with the focus of strategic trade theory on government-facilitated industry repositioning, these nearshoring measures also fostered regional economic integration and knowledge transfer (Krugman 1986; Brander and Spencer 1985).South Africa's strategy was strengthened through institutional and diplomatic involvement. To enhance intraregional trade, simplify customs procedures and unify tariffs, the government actively engaged with SADC allies. In order to negotiate preferential trade agreements, South Africa also took part in WTO dispute procedures and co-operated plurilaterally with emerging and middle-income economies (Hopewell 2016).

By showing how smaller emerging economies can strengthen their bargaining power and minimise vulnerability through regional co-ordination, this multi-layered approach underlines the complimentary nature of institutional leverage and economic adaptation.

When the three scenarios are studied together, it becomes evident that there are both parallels and differences in the reactions of emerging economies to US tariff shocks. Economic structure, market exposure and geopolitical direction all contribute to variances. Brazil's reliance on industrial and agricultural production is reflected in its strategy which is mainly focused on regional integration and commodity exports. India places a great focus on supply chain flexibility, market diversity and hybrid approaches which are symptomatic of its wide export base and complex sector. Because of its reliance on SADC integration and lesser global market reach, South Africa prioritises regional co-operation and institutional leverage. The adoption of multifaceted approaches that incorporate supply chain adaptation, trade diversification, diplomatic engagement and direct retribution indicates convergence. All three nations understand that direct retribution is insufficient on its own and that more permanent results are gained through co-ordinated methods that combine institutional, political and economic variables (Evenett 2020). Common techniques that strengthen resilience against asymmetric shocks and fortify negotiation positions in global trade governance include trade diversion, regional production hubs and participation with multilateral bodies. The cases also highlight how vital institutional sophistication is. South Africa, India and Brazil all use plurilateral agreements, WTO procedures and regional blocs to support their economic ambitions. The legitimacy and negotiating strength that institutional engagement affords promote the effectiveness of supply chain realignment and trade diversification. According to empirical evidence, governments that adopted integrated, multi-layered strategies saw less exposure to tariffs, lower reductions in export revenues and increased resilience to policy uncertainty. For example, South Africa's SADC-linked production networks enhanced regional market access by roughly twelve per cent, while Brazil's Mercosur plan and India's regional supply hubs cut effective tariff exposure by fifteen to twenty per cent (UNCTAD 2025b; WTO 2025b). These results show the strategic relevance of integrating institutional engagement, regional alignment and economic adaptation.

Lessons for emerging economies

Emerging economies facing asymmetric trade shocks can draw important lessons from the experiences of Brazil, India and South Africa during the 2025 U.S. tariff escalation. Their responses reveal that retaliation alone, whether through tariffs, quotas, or technical barriers, is insufficient to mitigate the wider economic and political repercussions of unilateral trade restrictions. Instead, the most effective strategies combined immediate countermeasures with longer-term adjustments in supply chain organisation, trade diversification, and institutional participation. South Africa's reliance on targeted quotas, Brazil's sector-specific tariffs, and India's hybrid strategy demonstrate that diversified approaches reduce the risk of production disruptions, inflationary pressures, and declining competitiveness in other markets.

A central theme emerging from these cases is the necessity of trade diversification. By redirecting exports to alternative markets, the three countries reduced their dependence on the U.S. and built resilience against future shocks. India strengthened commercial ties with ASEAN and Middle Eastern economies, South Africa expanded intra-African trade under the AfCFTA, and Brazil deepened its engagement with African markets and Mercosur partners. Diversification not only insulated them from tariff-induced vulnerabilities but also enhanced their capacity to withstand the risks of market concentration, highlighting the importance of developing adaptive export networks and investing in market intelligence.

The reorganisation of supply chains also proved essential in sustaining business continuities. Nearshoring, reshoring and the development of regional industrial clusters enabled firms to reduce exposure to tariffs while reinforcing regional integration. South Africa's SADC-integrated supply chains, India's expansion into Southeast Asian production hubs and Brazil's Mercosur-linked adjustments illustrate how geographically diverse and regionally embedded networks can improve competitiveness. By supporting cross-border co-ordination, strengthening local industrial bases and investing in regional infrastructure, emerging economies can transform vulnerability into opportunity. Institutional and diplomatic engagement further shapes the outcomes of these trade disputes. Active participation in multilateral and plurilateral forums allowed these states to

amplify their bargaining power and legitimise their responses. India's use of the WTO dispute settlement mechanism along with its involvement in BRICS and G20 dialogues, illustrates how legal, institutional and diplomatic strategies can be deployed in complementary ways. When pursued proactively and in alignment with broader economic objectives, such engagement enhances both resilience and negotiating strength.

Regional collaboration and integration were also central to the effectiveness of responses. Brazil's alignment within Mercosur and South Africa's reliance on SADC-based supply chains underscore how regional alliances can reduce transaction costs, provide collective resilience and strengthen negotiation positions against larger partners. For smaller and mid-sized emerging economies, regional frameworks serve not only as platforms for market expansion but also as mechanisms for risk-sharing and collective security. Underlying these varied strategies is the recognition that long-term planning is indispensable. Brazil, India and South Africa demonstrated that anticipating shocks, identifying sectoral vulnerabilities and preparing contingency plans are critical to resilience. Investments in technology, infrastructure and human capital reinforced their ability to adapt without derailing broader development goals. By blending economic, political and diplomatic strategies into coherent, forward-looking approaches, emerging economies can better navigate the uncertainties of an increasingly fragmented global trading system.

Effectiveness of retaliation

The 2025 US tariff measures provoked a range of retaliatory responses among emerging economies, yet assessing their effectiveness in shaping US policy requires careful analysis. Evidence from Brazil, India and South Africa demonstrates that direct retaliation tariffs, quotas and non-tariff barriers were partially effective in signaling political dissatisfaction, protecting domestic industries and creating negotiation leverage. For instance, Brazil's 35% tariffs on US soybeans and steel imposed meaningful economic costs on US exporters, prompting initial engagement through bilateral consultations (UNCTAD 2025a). India's targeted tariffs and technical barriers on electronics and pharmaceuticals, combined with WTO filings, communicated a credible threat of protracted trade conflict, thereby

incentivising limited concessions in sector-specific negotiations (Bown 2022).

However, the data suggest that retaliation alone was insufficient to compel broad policy reversal or immediate tariff reduction. US policy persistence reflected domestic political priorities, including protecting politically sensitive constituencies and signaling resolve in trade and industrial strategy. Even co-ordinated BRICS and G20 pressure yielded limited short-term modification of US measures, though it facilitated dialogue and minor sectoral adjustments. These findings align with historical evidence from the 2018–2020 US-China trade war, where counter-tariffs altered the pace and focus of US measures but rarely induced wholesale policy reversal (Liu and Woo 2018). Overall, retaliation serves primarily as a strategic instrument of signaling and negotiation leverage rather than a direct tool to compel unilateral policy change. Its effectiveness is contingent on the size of the targeted economy, the economic impact on sensitive sectors and the credibility of sustained retaliation combined with institutional engagement. Emerging economies maximise influence when retaliation is co-ordinated, calibrated and complemented by trade diversification and diplomatic initiatives, rather than relying on unilateral measures alone.

Although emerging economies responded in a variety of ways to the 2025 US tariff measures, it is important to carefully examine how effective they were in influencing US policy. Direct retaliation tariffs, quotas and non-tariff obstacles were partially successful in expressing political discontent, safeguarding home sectors and generating negotiating leverage, according to evidence from Brazil, India and South Africa. For example, US. exporters faced significant financial consequences as a result of Brazil's 35% tariffs on US steel and soybeans, which prompted initial bilateral negotiations (UNCTAD 2025a). India made modest concessions in sector-specific negotiations by communicating a credible threat of a protracted trade battle through its targeted tariffs and technical obstacles on medicines and electronics, as well as through WTO filings (Bown 2022).

But according to the data, retaliation by itself was not enough to force a quick drop in tariffs or a wider policy reversal. Protecting politically delicate groups and demonstrating tenacity in trade and industrial strategy were two examples of domestic political concerns that were reflected in US policy persistence. Although it promoted discussion and some sectoral changes, even concerted BRICS and G20 pressure resulted in little short-term change of US policies.

These results are consistent with historical data from the US-China trade war of 2018–2020, which showed that counter-tariffs changed the direction and speed of US actions but infrequently resulted in a complete policy reversal (Liu and Woo 2018). In general, revenge is not a direct means of compelling unilateral policy change, but rather a strategic tool of signaling and negotiation leverage. The scale of the targeted economy, the financial impact on vulnerable industries and the legitimacy of persistent retaliation coupled with institutional involvement all affect how effective it is. When retribution is planned, timed and supported by diplomatic efforts and trade diversification as opposed to unilateral actions alone, emerging economies can maximise their effect.

Implications for global trade governance

The 2025 US tariff escalation and the responses of emerging economies highlight important lessons for global trade governance, particularly regarding multilateralism, regionalism and institutional relevance. Despite the unilateral nature of the shock, multilateral institutions such as the WTO remained central. Brazil and India's use of WTO dispute mechanisms illustrates how smaller economies can legitimise their countermeasures within a rules-based framework, thereby avoiding uncontrolled escalation while strengthening the credibility of their actions (WTO 2025a). Regional economic blocs such as SADC, AfCFTA and Mercosur also played a pivotal role in managing the fallout. These platforms enabled states to co-ordinate supply chain realignments, harmonise trade responses and negotiate collectively with external partners. South Africa's reliance on SADC-based co-operation demonstrates how regional integration can lower transaction costs, expand market opportunities and enhance bargaining capacity, underscoring the value of regional institutions as complementary governance structures (Hopewell 2016).

At the same time, the episode revealed the limitations of existing trade rules in restraining dominant powers. WTO standards provide a legal foundation, but weak enforcement and institutional delays often leave smaller states exposed to asymmetric shocks. The co-ordinated strategies of Brazil, India and South Africa show how emerging economies are increasingly turning towards multi-layered governance models that blend retaliation, regional alignment and institutional

engagement. This shift challenges traditional North–South hierarchies and demonstrates how developing economies can exercise agency in shaping trade norms, building resilience and sustaining competitiveness in an era of fragmented global trade governance.

Conclusion and policy implications

The strategic reactions of emerging economies, particularly Brazil, India and South Africa, to the 2025 US tariff measures were analysed in this article. According to empirical study, these economies adopted various measures that included supply chain realignment, trade diversification, direct retaliation and institutional participation. Although these measures were insufficient on their own to materially affect US policy, direct tariffs, quotas and non-tariff barriers gave sector-specific protection while expressing political unhappiness. Whereas supply chain reform, including nearshoring, regional manufacturing centres and infrastructure investment, boosted operational resilience, trade diversification and South-South market development reduced susceptibility. Negotiating leverage was raised, and economic measures were given legitimacy through diplomatic participation through the WTO, regional trade blocs and plurilateral accords. Comparative case studies indicate both convergence and divergence: South Africa leaned on institutional leverage and regional co-operation, India adopted hybrid approaches that stressed market and supply chain flexibility, while Brazil used regional integration.

Prioritising integrated strategies that encompass supply chain adaptability, diversification and retaliation, while also actively engaging in global and regional organisations, are among the policy implications for rising economies. To minimise dependency on dominating economies, authorities should boost intra-emerging market trade, facilitate regulatory harmonisation and invest in regional trade networks and industrial clusters. Organised tactics within regional blocs promote risk-sharing and bargaining strength, guaranteeing stronger long-term economic resilience.

The long-term structural impacts of asymmetric trade shocks, such as changes in global value chains, alterations in South-South trade networks and the efficiency of regional and multilateral institutional systems, deserve additional

examination. Insights for scholars and policymakers to build robust trade policies in an increasingly intricate global trading system.

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