

Latam Economic Insights

Brazil is hit by higher tariffs. What are the implications for the scenario?

Trump pledges 50% tariffs against Brazil

On July 9, 2025, President Donald Trump announced a 50% tariff on all Brazilian imports, effective August 1. This would put Brazil with one of the highest US imposed tariffs and this is higher than the tariff that was announced in the “Liberation Day”, when Brazil was set a floor rate of 10% tariff.

justifications used by Trump point to tough negotiations

The letter sent to President Lula justified the higher tariffs by three reasons: what he described as a “witch hunt” against former President Jair Bolsonaro, censorship by Brazil’s Federal Supreme Court of U.S.-based digital platforms; and an unfair trade relationship, even though the U.S. currently runs a trade surplus with Brazil. President Lula responded with a strong statement, calling Brazil a sovereign country with independent institutions that will not accept being lectured by anyone. Also, Lula said that any unilateral tariff increases will be met with Brazil’s Economic Reciprocity Law, approved three months ago. Although Trump’s letter indicates that tariff hike could rise by much less, the decision driven by political factors and not tied to trade point to a difficult negotiation during the next weeks.

Economic impact on GDP is modest as exports to US represents less than 2% of the GDP

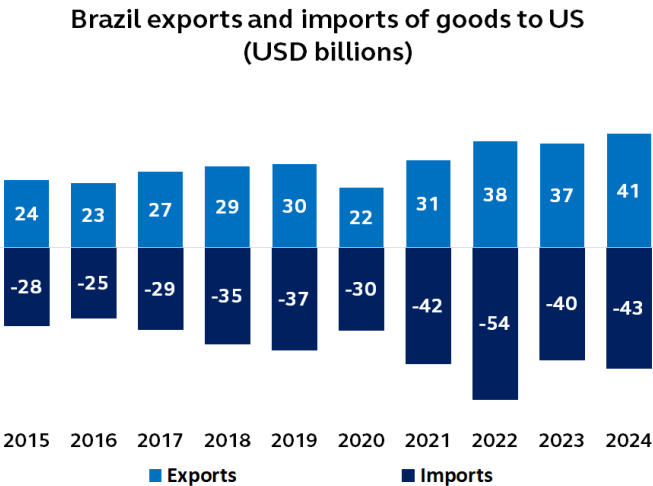
US share of Brazilian exports has declined from nearly 25% in the early 2000s to 12% in 2024, but US is still Brazil’s second main trading partner, with China being the first. In 2024, Brazilian exports to the US reached US\$40.4bn, but the Brazilian trade balance with the US was slightly negative (-US\$0.2bn). As % of the GDP, however, exports to US represent less than 2% as Brazil is a relatively closed economy, with total exports representing only 15% of the GDP. By sector, US remains the most important country for higher value-added manufactured goods exports. The main Brazilian exports to US are crude oil, se iron/steel, aircrafts, coffee and pulp and paper.

FX weakness and implications for the political scenario are the main concerns

Although the economic risks look contained for now, persistent FX weakness is a risk for Brazil scenario and could weigh on domestic financial conditions and investment flows. More important, the new tariffs and Trump’s decisions could have political impacts in Brazil ahead of a 2026 presidential election if the episode boosts Lula’s popularity, as was the case for other political incumbents in some countries since Trump took office. Lula’s approval rating has been declining in the last few quarters, but Lula could use the fight with Trump to his political benefit, arguing that Trump is trying to interfere in the country’s political affairs. The strategy is risky, but the next presidential polls will be essential to understand the impacts.

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Source: Ministry of Development, Industry and Foreign Trade



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