

BI-WEEKLY LATIN AMERICA SNAPSHOT

July 17, 2026

In this biweekly edition, **Brazil** races to avert new U.S. tariffs as trade tensions become increasingly intertwined with October's presidential campaign, while **Colombia's** incoming administration begins shaping its foreign and economic agenda ahead of the August transition. **Mercosur** accelerates its trade diversification strategy through negotiations with Canada and Asia-Pacific partners. The **Dominican Republic** and **Costa Rica** deepen trade and customs cooperation with the United States, while **ECLAC** warns that the conflict in the Middle East could weigh on Latin America's economic outlook through higher energy, fertilizer, and logistics costs.

Top Developments

Brazil braces for new U.S. tariffs as trade dispute enters election campaign. The United States has imposed a 25% Section 301 tariff on a broad range of Brazilian imports, while exempting key products including coffee, beef, aircraft components, and rare earths. An additional 12.5% tariff tied to a separate forced labor investigation remains under consideration. Brazil has vowed to pursue reciprocal measures while continuing diplomatic negotiations to limit the dispute's economic impact.

Business groups in both countries have urged their governments to intensify negotiations to preserve bilateral trade, warning of broader economic consequences. The dispute is also becoming a key issue in Brazil's presidential campaign ahead of the October election. While the Lula administration argues the tariffs have accelerated Brazil's trade diversification toward China, conservative challenger Flávio Bolsonaro has urged the Trump administration to refrain from imposing the measures, arguing they are strengthening Lula politically.

Recent polling by Meio Ideia continues to show President Lula with a narrow advantage in a potential runoff, leading Bolsonaro 45% to 40%, suggesting that trade policy and relations with the United States are becoming increasingly intertwined with the electoral debate.

De la Espriella's team begins diplomatic engagement ahead of transition. Colombia's Vice President-elect José Manuel Restrepo led a high-level delegation to Washington alongside incoming Foreign Minister Omar Bula Escobar, Finance Minister-designate Miguel Gómez Martínez, and Trade Minister-designate Mauricio Gómez Amín to present the foreign and economic priorities of President-elect Abelardo de la Espriella ahead of the August 7 inauguration.

The delegation outlined plans to strengthen bilateral cooperation on security, trade, and investment, while seeking to revive strategic infrastructure initiatives and expand U.S. private-sector participation in Colombia. Officials emphasized that the incoming administration intends to position Colombia as a key strategic partner for the United States, with a greater focus on economic security, infrastructure development, and attracting foreign investment.

The delegation also discussed regional priorities, including the possibility of importing fuel from Venezuela under specific conditions and positioning Colombia as a platform to support democratic transition efforts in the neighboring country. The visit underscores the incoming government's intention to place the U.S.–Colombia relationship at the center of its foreign and economic policy agenda.

Dominican Republic and the U.S. strengthen customs cooperation at Haina Port. The General Directorate of Customs of Dominican Republic and U.S. Customs and Border Protection

signed a new Cargo Profiling Agreement for Port of Haina, expanding bilateral cooperation on customs enforcement, risk management, and trade security.

The agreement enhances the exchange of information and joint operational coordination to identify high-risk cargo before it reaches its destination, strengthening the security of international supply chains while facilitating legitimate trade. As part of the arrangement, the Port of Haina will be incorporated into the Container Security Initiative (CSI), a U.S.-led program that screens high-risk cargo prior to shipment or arrival.

The new Standard Operating Procedures (SOPs) established under the agreement will improve coordination to detect and prevent transnational crimes, including drug trafficking, smuggling, firearms trafficking, the transport of chemical precursors, and intellectual property rights violations. U.S. officials noted that the agreement builds on nearly two decades of customs cooperation and is expected to further strengthen border security and trade facilitation between the two countries.

Mercosur and Canada aim to conclude FTA agreement by year-end. Canada and Mercosur agreed to accelerate negotiations on a Free Trade Agreement (FTA), with the goal of reaching a commercially meaningful agreement before the end of 2026, according to Canadian Minister of Foreign Affairs Anita Anand following meetings with Brazilian officials and private-sector representatives in São Paulo.

The renewed push reflects both sides' efforts to deepen economic ties and diversify trade partnerships amid a shifting global trade environment. Merchandise trade between Canada and Mercosur reached approximately US\$12.6 billion in 2025, with Mercosur exporting US\$8.7 billion to Canada and importing US\$3.9 billion. Brazil accounted for the vast majority of bilateral trade, followed by Argentina, Paraguay, and Uruguay.

If concluded, the agreement would represent another step in Mercosur's broader strategy to expand its network of trade agreements beyond traditional markets and strengthen commercial ties with North America and other global partners.

Costa Rica seeks exemption from proposed U.S. tariffs. Costa Rica has formally submitted its defense to the Office of the United States Trade Representative in response to a proposed 12.5% tariff linked to a U.S. investigation into forced labor practices in global supply chains. The government is seeking to preserve duty-free access for Costa Rican exports to the U.S. market.

Trade Minister Indiana Trejos rejected allegations that forced labor is used in Costa Rica's production processes, arguing that the country is an integral part of secure and competitive regional supply chains that complement, rather than compete with, U.S. manufacturing. Business associations also backed the government's position.

The administration of President Laura Fernández Delgado is seeking to have Costa Rican exports excluded from the proposed measures and preserve the preferential market access established under the Dominican Republic–Central America Free Trade Agreement, underscoring the importance of the U.S. market to the country's export-oriented economy.

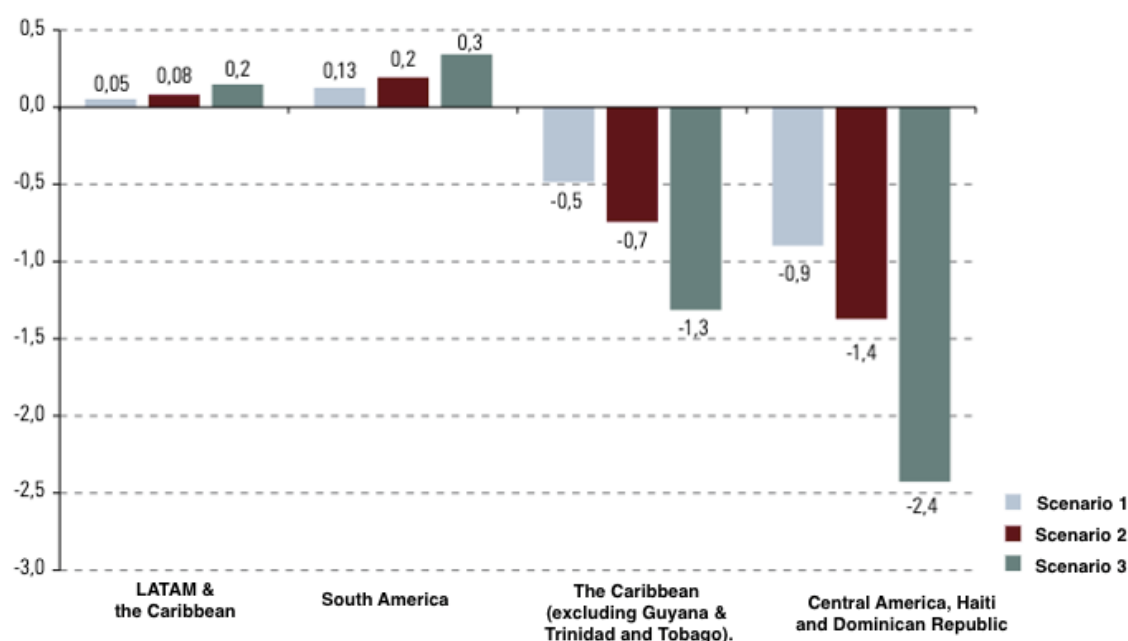
Key data

CLAC warns Middle East conflict could weigh on Latin America's growth. The Economic Commission for Latin America and the Caribbean (ECLAC) warned that the conflict in the Middle East could have lasting economic repercussions for Latin America through higher energy prices, rising fertilizer costs, and more expensive global logistics. The agency noted that fertilizer prices have increased by 44%, while urea—a key agricultural input—has risen by 82%, adding pressure to food production costs across the region.

ECLAC cautioned that these external shocks are likely to persist beyond the immediate conflict, reinforcing a challenging global environment. The organization urged governments to prioritize economic growth to strengthen fiscal capacity and improve resilience against future crises, arguing that stronger growth is essential to finance social protection and mitigate the impact of recurring external shocks.

The report also warned that Latin America remains trapped in a period of weak long-term growth, describing 2014–2024 as a “lost decade” with average annual expansion of just 0.9%. While regional growth reached 2.4% in 2025, ECLAC projects 2.2% growth in 2026 and cautions that the outlook could deteriorate further if tensions in the Middle East continue to disrupt global energy markets, particularly through the Strait of Hormuz.

LATAM & the Caribbean: Impact of energy shock on the trade balance under three oil price scenarios (% of GDP)



Source: ECLAC

The analysis is based on three oil price scenarios developed by the World Bank in its April 2026 Commodity Markets Outlook. Scenario 1 assumes Brent crude averages US\$86/barrel in 2026 (+25% vs. 2025), Scenario 2 assumes US\$95/barrel (+38%), and Scenario 3 assumes US\$115/barrel (+67%), reflecting progressively more severe and prolonged disruptions to energy production and trade in the Middle East. The scenarios also assume proportional increases in natural gas and refined petroleum product prices.

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