BI-WEEKLY LATIN AMERICA SNAPSHOT

August 17, 2026

In this biweekly edition, the **Brazil–U.S**. trade dispute escalates as China joins WTO consultations, while **Colombia's** new government faces its first major test following a deadly earthquake. In **Costa Rica**, President Laura Fernández strengthens engagement with the private sector around competitiveness and investment, while **Venezuela** sees renewed political dialogue alongside a continued opening of its energy sector. Meanwhile, **Peru** expands security cooperation with the United States to combat transnational organized crime. On key data, we examine the growing divergence in **public debt levels across Latin America** and the fiscal risks facing the region.

Top Developments

Brazil–U.S. trade dispute escalates as China joins WTO consultations. The U.S.–Brazil trade dispute has entered a new phase after Washington imposed an additional 25% tariff on a broad range of Brazilian imports over alleged unfair trade practices. According to Amcham Brasil, the measure could affect approximately US$11.2 billion in Brazilian exports, equivalent to nearly 30% of the country's exports to the United States last year.

Brazil has formally initiated procedures under its Economic Reciprocity Law, which allows proportional countermeasures against unilateral trade restrictions. While Brasília has notified Washington of the process, it has also requested diplomatic consultations, signaling that negotiations remain its preferred path.

The dispute is also expanding beyond the bilateral relationship. China has requested to join Brazil's consultations at the World Trade Organization (WTO), citing a substantial commercial interest in the case as similar U.S. measures affect Chinese exports. Beijing's participation does not amount to a separate legal challenge, but it would allow China to take part in the consultation process and follow the dispute more closely. China's involvement adds a broader geopolitical dimension to the dispute, particularly as Brazil seeks to diversify its trade relationships and deepen economic ties with Beijing amid growing trade tensions with Washington. Beijing's decision to engage in the WTO process also highlights shared concerns over Washington's growing use of Section 301 tariffs, potentially turning Brazil's challenge into a wider test of U.S. trade policy and the multilateral trading system.

Earthquake tests De la Espriella's new government in Colombia. President Abelardo de la Espriella declared an economic emergency on August 12 following the 7.4-magnitude earthquake that struck Colombia two days earlier, killing at least 265 people and causing significant damage, particularly in the western part of the country. The declaration allows the government to establish a "Fondo Milagro" (Miracle Fund) to channel resources toward rebuilding hospitals, schools, roads, airports, and other critical infrastructure.

The disaster represents the first major test for De la Espriella, coming only days after he assumed office on August 7 and while the new administration was still completing its transition from former President Gustavo Petro. While the crisis is unlikely to fundamentally reshape De la Espriella's policy agenda, it could accelerate the use of the Armed Forces and National Police in relief, logistics, and recovery operations. The response also creates an early fiscal challenge for the government, such as mobilizing sufficient resources for reconstruction and assistance while maintaining its commitment to fiscal discipline. The social impact could be particularly significant in lower-income communities, which the UN World Food Programme has identified as among the most vulnerable to the earthquake and its aftermath.

At the same time, the crisis coincides with a rapid expansion of U.S.–Colombia security cooperation. U.S. Secretary of War Pete Hegseth said De la Espriella authorized joint military operations with the U.S. against drug trafficking and transnational criminal organizations and that Colombia would join the U.S.-backed Cartels of the Americas Coalition (A3C). Washington has also signaled plans for approximately US$1 billion in security assistance, including U.S. technology, operational capabilities, and greater coordination between the two countries' security forces, while providing support following the earthquake.

President Fernández courts private-sector support for competitiveness agenda in Costa Rica. President Laura Fernández met with more than business representatives in a dialogue organized with the Costa Rican Chamber of Commerce (CCCR), reinforcing her administration's effort to build closer coordination with the private sector around investment, competitiveness, and formal job creation.

Fernández identified security, government modernization, infrastructure, workforce development, and investment attraction as key economic priorities. Her emphasis on road, port, airport, rail, and electricity infrastructure reflects broader concerns over bottlenecks that could constrain Costa Rica's ability to capitalize on nearshoring and attract additional foreign investment. The government is also tightening its approach to smuggling and illicit trade, including stronger enforcement and proposed reforms to the General Customs Law, suggesting an economic strategy focused on improving the domestic business environment and addressing structural constraints to investment.

Venezuela advances judicial talks alongside broader energy opening. Venezuela's government and opposition reached an agreement to renew all judges on the Supreme Court (TSJ), marking one of the first concrete outcomes of the U.S.-backed dialogue aimed at advancing the country's political transition. The agreement calls for a new nomination and appointment process for the entire court, an institution that has faced longstanding criticism over its independence. However, uncertainty surrounding the negotiations continues to generate domestic pressure, with demonstrators in Caracas calling for greater transparency and presidential elections.

The interim government of Delcy Rodríguez also announced the release of 131 people detained in politically related cases, presenting the measure as part of a broader reconciliation process, although independent verification remains incomplete. Human rights organizations have so far verified only a fraction of those cases, leaving uncertainty over the scope and pace of the process. Civil society groups continue to monitor implementation and seek greater clarity over the legal status of those being released.

Political developments are unfolding alongside efforts to reopen Venezuela's energy sector to international investment. Following reforms that expanded opportunities for private participation in hydrocarbons and a gradual easing of U.S. sanctions, Venezuela granted licenses to BP, UAE-based XRG, and Qatar-based UCC to advance exploration of the Lorán natural gas field.

Venezuela is seeing renewed political dialogue with support from the U.S. alongside efforts to attract foreign investment and expand the energy sector. However, calls for presidential elections remain unresolved, and the impact of recent economic measures on broader living conditions remains uncertain.

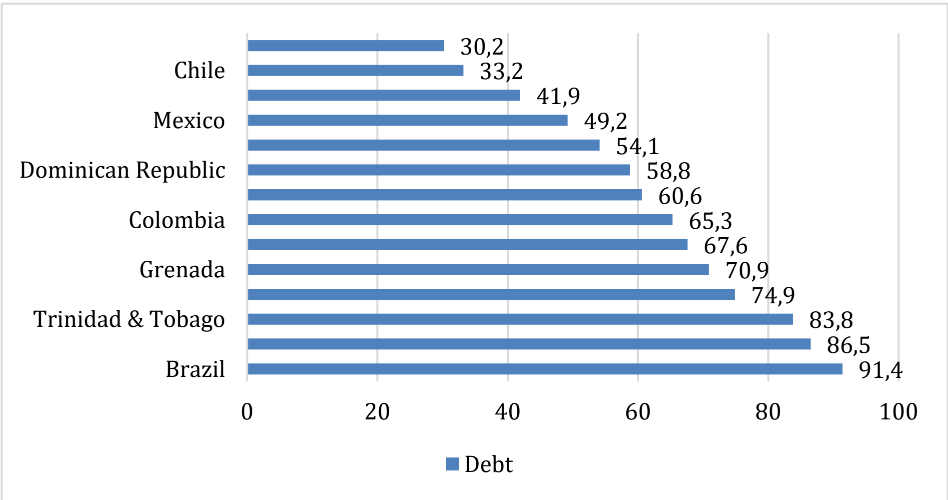
Peru deepens security cooperation with the U.S. to combat transnational crime. Peru's National Police confirmed an agreement with the FBI to strengthen cooperation against transnational organized crime, as the government seeks to address the growing presence of foreign criminal networks operating in the country. The agreement, signed during the previous transitional government, provides for technology, logistical support, specialized training, intelligence cooperation, and investigative assistance from the United States.

The initiative is gaining greater relevance under President Keiko Fujimori, whose administration has made public security and organized crime key priorities. The agreement also forms part of a broader expansion of U.S.–Peru security cooperation announced following Fujimori's inauguration, reflecting shared concerns over organized crime and provides the new Peruvian government with additional operational and technical capabilities as it implements its domestic security agenda.

Key Data

Latin America's public debt risks become increasingly uneven. Public debt positions are diverging across Latin America, with Bolivia, Brazil, and Suriname among the world's 30 most indebted economies relative to GDP, according to International Monetary Fund (IMF) data reviewed by the Institute of International Finance (IIF). The gap between the region's highest- and lowest-debt countries is projected to widen from 63 percentage points of GDP in 2019 to 73 points in 2026, reflecting increasingly different fiscal trajectories across countries. At the same time, higher energy prices and inflationary pressures linked to the Middle East conflict could tighten global financing conditions, raising borrowing costs particularly for governments with limited fiscal space.

Public Debt Across Latin America
Government debt as % of GDP



Source: IIF data, as reported by Bloomberg Línea, 2026.