

BI-WEEKLY LATIN AMERICA SNAPSHOT

August 4, 2026

In this biweekly edition, **Brazil** steps up its response to new U.S. tariffs as trade tensions increasingly intersect with the October presidential election, while **Colombia** prepares for the inauguration of President-elect Abelardo de la Espriella. In **Peru**, President Keiko Fujimori takes office with security and economic recovery at the top of her agenda. The **Dominican Republic** adopts new import controls to address concerns over forced labor and preserve access to the U.S. market. Meanwhile, **Argentina's** Javier Milei proposes a new package of fiscal and financial reforms aimed at reinforcing macroeconomic stability and **Nicaragua** advances constitutional reforms that could further reshape its electoral system.

Top Developments

Brazil responds to new U.S. tariffs as trade dispute intensifies ahead of elections. The Trump administration has implemented a 25% tariff on a broad range of Brazilian imports following a Section 301 investigation into alleged unfair trade practices. Washington cited concerns related to Brazil's PIX instant payment system, market access restrictions, intellectual property protections, anti-corruption measures, and illegal deforestation. The new duties are expected to affect about 18% of Brazil's exports to the United States, with industrial machinery, sugar, ethanol, wood products, and footwear among the sectors most exposed.

Despite the escalation, Brazilian officials had emphasized dialogue over retaliation, reiterating the government's willingness to continue negotiations while signaling that Brazil will seek to diversify export markets beyond the United States. To cushion the impact on exporters, President Luiz Inácio Lula da Silva launched "Brasil Soberano III," an R\$18.5 billion (US\$3.65 billion) credit program to support affected exporters.

At the same time, Washington imposed an additional 12.5% tariff after determining that Brazil and other countries have not adequately restricted imports produced with forced labor. Brazil rejected the findings as arbitrary, announcing plans to invoke its Reciprocity Law and challenge the measure through the World Trade Organization.

The trade dispute comes at a politically sensitive moment, just months before Brazil's October presidential election. The Workers' Party (PT) has formally nominated President Luiz Inácio Lula da Silva as its candidate for a fourth non-consecutive term, with recent polling continuing to place him ahead of his main challengers in what is expected to be a highly polarized race.

Voting Intention for President – First Round (Scenario 1)

If these were the candidates, who would you vote for in the next presidential election?



Source: Atlas Intel for Bloomberg.

De la Espriella prepares to take office in Colombia. President-elect Abelardo de la Espriella will be inaugurated on August 7 for the 2026–2030 term in a historic ceremony in Cali, marking the first time a Colombian president has taken office outside Bogotá. The new administration enters office pledging to restore security, strengthen economic growth, and implement its "Patria Milagro" agenda, but will face immediate challenges in translating those priorities into legislation.

Although De la Espriella has appointed an 18-member cabinet of former lawmakers, governors, business leaders, and policy experts, his coalition controls only a limited number of seats in Congress, making coalition-building essential. At the same time, outgoing President Gustavo Petro continues to dispute the election results and has vowed to lead the opposition after leaving office. His left-wing governing coalition, Pacto Histórico, remains the largest bloc in Congress with 65 lawmakers, the incoming administration is expected to face significant legislative resistance.

On foreign policy, De la Espriella has outlined a shift toward closer economic and security cooperation with the United States while seeking a more streamlined diplomatic network, including plans to close 14 embassies. Vice President-elect José Manuel Restrepo has already begun engaging with U.S. officials and senior leaders at the World Bank, the Inter-American Development Bank, and the International Monetary Fund to promote investment and financing opportunities.

The new administration will face the challenge of translating its reform agenda into policy, with progress likely to depend on coalition-building in Congress and its ability to address security and economic concerns amid a polarized political landscape.

Fujimori takes office in Peru, prioritizing security and economic recovery. Keiko Fujimori was sworn in as Peru's president for the 2026–2031 term on July 28, marking the return of the Fujimori political movement to the executive branch after 25 years. In her inaugural address, Fujimori identified public security and preparedness for the El Niño climate phenomenon as the government's two immediate national priorities.

On security, Fujimori pledged a tougher stance against organized crime, including the temporary deployment of the armed forces in support of domestic security operations and the construction of four maximum-security prisons. Economically, she announced a 15% increase in the minimum wage and incentives for small businesses while encouraging greater domestic and foreign investment.

In foreign policy, Fujimori is expected to strengthen political and security ties with the United States while maintaining Peru's close economic relationship with China. Analysts expect the strategic importance of the Port of Chancay and Peru's trade links with Beijing to encourage a balanced approach between the two powers.

Dominican Republic tightens forced labor controls following new U.S. tariffs. The administration of President Luis Abinader introduced new measures to prevent the import of goods produced with forced labor, requiring importers to disclose whether they have reason to believe their products were manufactured using forced labor and authorizing technical reviews of suspicious shipments. The decree applies to products for which there is reasonable evidence that forced labor was used at any stage of the supply chain.

The measures come after the Trump administration imposed an additional 12.5% tariff on Dominican exports, arguing that the country had not effectively prohibited imports produced with forced labor. The new duties, which took effect on July 24, apply broadly to Dominican exports, with medical devices, cigars, electrical equipment, jewelry, apparel, pharmaceuticals, plastics, and cocoa among the sectors expected to be most affected.

The Dominican government and the private sector have responded by emphasizing dialogue with Washington while working to preserve access to their largest export market. Economic adviser to the Executive, Pedro Silverio, acknowledged that the higher tariffs could reduce competitiveness but argued that the overall macroeconomic impact is likely to remain manageable given the country's recent economic resilience.

Milei unveils package of fiscal and Central Bank reforms. President Javier Milei announced that his administration will submit a package of economic reforms to Congress focused on strengthening fiscal discipline and deepening financial market deregulation.

The proposal includes a "fiscal lock" mechanism requiring Congress to restore budget balance if deficits persist. If no agreement is reached, non-essential government operations would be automatically suspended, similar to a U.S. government shutdown, while essential services such as pensions, healthcare, security, and defense would continue. Senior government officials, including the president, cabinet members, and legislators, would also forgo their salaries during the shutdown.

The package would also prohibit the Central Bank of the Argentine Republic from financing the government, establish price stability as its primary objective, and make it more difficult to remove the central bank governor. Additional reforms would ease regulations in the capital markets and insurance sectors to expand financing options and increase market flexibility.

While the government argues the measures would strengthen macroeconomic stability and investor confidence, some economists have questioned narrowing the central bank's mandate to a single objective.

Nicaragua moves to reshape electoral system. President Daniel Ortega has confirmed plans to reform Nicaragua's Constitution to overhaul the country's electoral framework, days after stating that the country would "no longer have elections." Government officials later clarified that elections will continue but under new constitutional rules designed to prevent what the administration describes as foreign interference and attempts to destabilize the government.

The proposed reforms, expected to be approved by the Sandinista-controlled National Assembly in September, would bar naturalized opposition figures stripped of their citizenship in recent years from participating in future elections. The government argues the changes are necessary to safeguard national sovereignty and prevent individuals it labels as coup plotters or terrorists from seeking public office.

The announcement has drawn widespread criticism from regional governments and international organizations. Countries including Costa Rica, Panama, Guatemala, the Dominican Republic, Chile, Brazil, Peru, and Uruguay, along with the Organization of American States (OAS), the Inter-American Commission on Human Rights, the European Union, and the United Nations Human Rights Office, have expressed concern that the reforms could further restrict political participation and democratic competition. The OAS is considering convening a meeting of regional foreign ministers to discuss the situation.

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