



July 2025

## Tariffs, tensions, and trade: US Pressure on Brazil escalates

Brazil, Latin America's biggest economy and a longtime US partner, is at a key turning point. On July 9, President Trump announced a jump from a 10% tariff to a 50% tariff on all Brazilian imports, set to begin August 1, 2025. The move is linked not only to trade protectionism but also to political tensions—including Brazil's legal actions related to former President Bolsonaro, which Trump publicly called "an international embarrassment." In a public letter to President Lula, Trump also cited alleged censorship by Brazil's Supreme Court, Brazil's insidious attacks on free elections, and restrictions on US social media platforms, claiming Brazil posed a threat to American free speech.

Shortly after the announcement, the US Trade Representative (USTR) launched a Section 301 investigation into what it described as Brazil's unfair trading practices, including digital trade and electronic payment systems, intellectual property protection, preferential tariffs, market access for American ethanol, and even illegal deforestation. The investigation specifically named Brazil's Pix system as potentially disadvantaging American firms and accused Brazil of offering better tariff terms to competing trade partners.

Despite this, Brazil remains a firm friend of the United States—and they have a growing trade relationship. In 2024, the US actually ran a goods trade surplus of about \$6.8 billion with Brazil, the latest in a string of 18 consecutive years with more US exports than imports. This helps explain why economists see the tariff hike as politically driven, rather than a needed economic correction.<sup>1</sup>

This sudden tariff rise will hit Brazil's export-heavy sectors—like coffee, orange juice, beef, processed foods, and aerospace—and push prices higher in the US. It also forces Brazil into a strategic choice: stand by a century-old partnership with the United States or deepen its ties with China, which has been its top trading partner since 2009.

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<sup>1</sup> <https://edition.cnn.com/2025/07/16/business/us-probe-brazils-trade-practices>, "US launches probe into Brazil's trade practices" published July 17, 2025

Tensions notwithstanding, economic ties between Brazil and the US remain substantial. In 2024 alone, Brazil exported \$40.3 billion in goods to the US—a 9.2% increase from the previous year.<sup>2</sup> Among the sectors most vulnerable to the Trump tariffs is steel: in 2023, Brazilian steel exports to the US totaled \$6.9 billion, accounting for over one-third of Brazil's total steel exports.<sup>3</sup> Despite the sector's exposure, a study by the Institute for Applied Economic Research (IPEA) projects a relatively muted macroeconomic impact—amounting to just a 0.01% decline in GDP and a 0.03% drop in total exports.<sup>4</sup>

Adding to the challenge, Chinese steel—also under US tariff pressure—is being redirected to other markets such as Southeast Asia, the Middle East, and Latin America. This oversupply has triggered price drops and intensified competition in regions where Brazilian steel also competes.<sup>5</sup>

Agribusiness, however, tells a different story – and of opportunity amid disruption. Agriculture represents 23.2% of Brazil's GDP, with livestock production alone growing by 12.48% in 2024.<sup>6</sup> While retaliatory tariffs have impacted key US agricultural exports like soybeans, corn, and pork, these sectors represent a small fraction of its GDP. In contrast, Brazil's heavier reliance on agriculture makes it more sensitive to trade disruptions.

At the same time, new opportunities are emerging. Brazilian agribusiness, in particular, stands poised to gain market share—even within the US Higher tariffs on competitors could make Brazilian exports more competitive globally. Soybeans and coffee are emerging as standout beneficiaries.<sup>7</sup> According to the US Department of Agriculture (USDA), Brazil is expected to harvest 169 million metric tons of soybeans by May 2025.<sup>8</sup> China, in turn, could import up to 90 million metric tons of Brazilian soybeans in 2025, up from 60 million in 2020.<sup>9 10</sup> With other suppliers constrained by tariffs, Brazilian agricultural exports are well-positioned for expansion. In late April

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<sup>2</sup> <https://agenciabrasil.ebc.com.br/en/economia/noticia/2025-01/brazil-sets-record-exports-usa-2024>, “Brazil sets record for exports to US in 2024” published January 17, 2025

<sup>3</sup> <https://tradingeconomics.com/brazil/exports/united-states/iron-steel>, “Brazil Exports of iron and steel to United States” published April 2025

<sup>4</sup> <https://www.ipea.gov.br/portal/categorias/45-todas-as-noticias/noticias/15631-tarifa-dos-eua-sobre-o-aco-tem-pouco-impacto-no-pib-do-brasil-mas-setor-pode-perder-us-1-5-bi-em-exportacoes>, “Tarifa dos EUA sobre o aço tem pouco impacto no PIB do Brasil, mas setor pode perder US\$ 1,5 bi em exportações” published March 12, 2025

<sup>5</sup> <https://valorinternational.globo.com/business/news/2025/02/05/with-trump-chinese-steel-may-be-directed-to-brazil.ghtml>, “With Trump, Chinese steel may be directed to Brazil” published May 2, 2025

<sup>6</sup> <https://www.band.uol.com.br/agro/agromais/noticias/pib-do-agronegocio-brasileiro-cresce-181-em-2024-com-destaque-para-a-pecuaria-202504091630>, “PIB do agronegócio brasileiro cresce 1,81% em 2024 com destaque para a pecuária” published April 4, 2025

<sup>7</sup> <https://www.bbc.com/portuguese/articles/c99px3d2p9ro>, “Brasil pode sair ganhando com tarifaço de Trump?” published April 7, 2025

<sup>8</sup> <https://ipad.fas.usda.gov/highlights/2025/03/Brazil/index.pdf>, “Brazil Crop Travel: Expectations for Summer Crops are High Despite Delayed Soybean Planting and Dryness in the South” published March 20, 2025

<sup>9</sup> <https://foodbizbrasil.com/informacoes-de-mercado/brasil-pode-exportar-ate-90-milhoes-de-toneladas-de-soja-para-a-china/>, “Brasil pode exportar até 90 milhões de toneladas de soja para a China” published April 17, 2025

<sup>10</sup> <https://sna.agr.br/china-compra-60-601-milhoes-de-toneladas-de-soja-do-brasil-em-2020/>, “China compra 60.601 milhões de toneladas de soja do Brasil em 2020” published January 14, 2021

2025, the Chinese government officially stated for the first time that Brazilian soybeans could serve as full replacement for US grains.<sup>11</sup>

Looking ahead, experts suggest that Brazil's trade surplus could grow even further in the coming years. In addition to larger harvests, rising global demand—especially from China—for soy, corn, and meat traditionally sourced from the US may increasingly shift toward Brazil. The same dynamic is expected to apply across a range of other key commodities.

The ethanol sector, too, is under renewed focus. In a 2025 address on energy independence, President Trump called for the end of duty-free Brazilian ethanol, citing a need to shield US corn growers. Brazil, the world's second-largest ethanol producer, exported over 300 million liters of sugarcane-based ethanol to the US in 2024, valued at approximately \$200 million.<sup>12</sup> Notably, sugarcane ethanol emits 61% less greenhouse gases than gasoline, underscoring its importance in the transition to cleaner energy sources.<sup>13</sup>

Internally, Brazil is preparing a strategic response. President Lula has adopted a tone of cautious diplomacy but has not ruled out retaliatory measures. He stated that Brazil “will not accept being tutored by anyone” and reaffirmed that any reaction will be guided by the recently enacted Trade Reciprocity Law, which allows for proportional countermeasures in response to punitive tariffs.<sup>14</sup> Publicly, he also argued that, given the consistent US trade surplus with Brazil, “we should be the ones taxing them.”

The Brazilian government formally returned President Trump's letter, deeming it offensive and unacceptable, and reiterated the importance of dialogue and negotiation as the path toward mutually agreed solutions. Lula is also considering filing a formal complaint with the World Trade Organization (WTO) and intends to bring the issue before BRICS partners, with Brazil currently holding the presidency of the bloc.<sup>15 16</sup>

In its official response, the Brazilian government emphasized that the country has run persistent trade deficits with the US in both goods and services—amounting to nearly \$410 billion over the past 15 years. It also expressed “indignation” over the planned tariff hike from 10% to 50%, warning that such a move could have a “very negative” impact on both economies.

At the same time, the country is intensifying its efforts to diversify trade partnerships. New agreements with the EU, BRICS engagement, and deeper commercial ties with India and South Africa reflect this effort. One notable example of this broader strategy is the EU-Mercosur trade

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<sup>11</sup> <https://economia.uol.com.br/colunas/graciliano-rocha/2025/04/28/governo-chines-diz-pela-1-vez-que-soja-do-brasil-substitui-graos-dos-eua.htm>, “Governo chinês diz pela 1ª vez que soja do Brasil substitui grãos dos EUA” published April 28, 2025

<sup>12</sup> <https://www.reuters.com/markets/commodities/brazil-says-us-ethanol-tariff-would-be-unreasonable-calls-sugar-talks-2025-02-13/>, “Brazil says US ethanol tariff would be unreasonable, calls for sugar talks” published February 13, 2025

<sup>13</sup> <https://www.sugarcane.org/blog/brazilian-sugarcane-ethanol-can-help-america-achieve-its-climate-goals-2/>, “Brazilian Sugarcane Ethanol Can Help America Achieve Its Climate Goals” published August 31, 2019

<sup>14</sup> <https://www.reuters.com/world/americas/brazil-be-reciprocal-tariffs-will-try-negotiating-first-lula-says-2025-04-09/>, “Brazil to be reciprocal on tariffs but will try negotiating first, Lula says” published April 9, 2025

<sup>15</sup> <https://edition.cnn.com/2025/07/16/business/us-probe-brazils-trade-practices>, “US launches probe into Brazil's trade practices” published July 17, 2025

<sup>16</sup> <https://www.reuters.com/world/americas/brazil-urges-trade-talks-with-us-after-trump-tariff-hike-2025-07-16/>, “Brazil urges trade talks with US after Trump tariff hike” published July 16, 2025

agreement, finalized in late December 2024 and currently awaiting formal ratification. For Brazil, the deal represents an opportunity to gain greater access to the European market, eliminate tariffs and other trade barriers, and enhance its global trade footprint.

Beyond trade agreements, Brazil's natural and geographic advantages are positioning it favorably in the evolving global economy. With vast reserves of critical minerals such as niobium, bauxite, and lithium—as well as being the world's second-largest producer of iron ore—Brazil stands poised to lead in a world increasingly defined by supply chain resilience and sustainability.<sup>17 18 19</sup>

Energy exports further reinforce Brazil's strategic importance. In 2024, Brazil exported approximately 239,000 barrels of crude oil per day (bpd) to the US, making it the second-largest destination for Brazilian crude after China.<sup>20</sup> Although exports to the US have slightly declined to below 200,000 bpd, partnerships between US firms and Petrobras in Brazil's offshore energy sector remain strong. Brazil's expansion into offshore wind, green hydrogen, and biofuels aligns with US climate goals, offering rare opportunities for cooperation despite increasing trade tensions.

Sustainability is emerging as another key pillar of Brazil's global strategy. With a clean energy matrix, Brazil is uniquely positioned to lead in the global green economy. Sugarcane-based ethanol, which emits significantly fewer greenhouse gases than corn-based alternatives, stands as a symbol of this potential.<sup>21</sup> By aligning its trade agenda with environmental, social, and governance (ESG) principles, Brazil can strengthen alliances with the European Union, turning environmental leadership into economic leverage.

Importantly, while the impacts of US tariffs on individual sectors will be significant, Brazil's overall economic exposure is more contained than it might appear at first glance. Exports to the US represent approximately 2% of Brazil's GDP and just over 12% of total exports.<sup>22</sup> While sector-specific impacts will be significant, the broader economic repercussions may be more manageable than initially feared.

In the long term, Brazil's ability to adapt will define its role in the new global order. For international companies operating in Brazil, these dynamics underscore the importance of navigating a rapidly

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<sup>17</sup> <https://olhardigital.com.br/2025/01/09/ciencia-e-espaco/qual-e-o-verdadeiro-tamanho-do-brasil-entenda-como-nosso-territorio-e-calculado/>, "Qual é o verdadeiro tamanho do Brasil? Entenda como nosso território é calculado" published January 9, 2025

<sup>18</sup> <https://en.clickpetroleoegas.com.br/The-promised-land-is-in-Brazil-the-largest-niobium-deposit-on-the-planet-with-90%25-of-global-production-and-an-annual-capacity-of-150-thousand-tons%2C-a-crucial-raw-material-to-save-and-revolutionize-the-industry/>, "The 'Promised Land' is in Brazil: the largest niobium deposit on the planet, with 90% of global production and an annual capacity of 150 thousand tons, a crucial raw material to save and revolutionize industry in the world" published July 30, 2024

<sup>19</sup> [https://www.coatingsworld.com/issues/2025-01-01/view\\_latam-america-reports/brazil-vehicle-sales-spike-to-10-year-high](https://www.coatingsworld.com/issues/2025-01-01/view_latam-america-reports/brazil-vehicle-sales-spike-to-10-year-high), "Brazil Vehicle Sales Spike to 10-Year High" published January 2025

<sup>20</sup> <https://www.infomoney.com.br/economia/nao-ha-sangria-para-petroleo-do-pais-exportacoes-podem-ser-reorientadas-diz-ibp/>, "Não há sangria para petróleo do País; exportações podem ser reorientadas, diz IBP" published April 3, 2025

<sup>21</sup> <https://www.novacana.com/noticias/brasil-exporta-54-producao-petroleo-primeiros-nove-meses-ano-mostra-ineep-211124>, "Brasil exporta 54% da produção de petróleo nos primeiros nove meses do ano, mostra Ineep" published November 21, 2024

<sup>22</sup> <https://monitormercantil.com.br/tarifas-de-trump-no-brasil-impacto-pequeno-no-pib-e-oportunidade-de-diversificacao/>, "Tarifas de Trump no Brasil: impacto pequeno no PIB e oportunidade de diversificação" published April 8, 2025

evolving trade environment. While US and Brazilian interests remain aligned in many strategic sectors, China's growing footprint cannot be overlooked.

Over the past decade, China has invested heavily in Brazil's energy, agriculture, and infrastructure sectors, including acquiring significant stakes in electric power and oil industries. According to a study by the Brazilian Trade and Investment Promotion Agency (Apex), based on Central Bank data, China has become Brazil's eighth-largest foreign investor, with \$37 billion invested as of June 2024 – \$14 billion of which was directed to the energy sector.<sup>23</sup>

Chinese companies play a leading role in sectors ranging from electricity transmission to agribusiness logistics, securing not only market share but also critical infrastructure. The competition between the US and China in Brazil is increasingly about strategic influence, not just trade volume.

The United States remains Brazil's largest source of foreign direct investment, totaling \$123.8 billion, and continues to lead in key service sectors such as transportation, consulting, and legal services.<sup>24</sup> However, when it comes to trade, China has held the position of Brazil's top trading partner since 2009. In 2024, China accounted for 28.01% of Brazil's exports – valued at \$94.4 billion – while US exports to Brazil totaled \$40.3 billion, focused mainly on industrial goods.<sup>25</sup>

While the US remains a vital partner, the landscape demands a more nuanced approach. Brazil must protect its existing interests, seize new opportunities, and diversify its alliances—all without alienating key partners. Trump's tariffs, intended to bolster American industry, may inadvertently accelerate Brazil's evolution into a more autonomous, globally integrated power. The next chapter will depend not just on how Brazil defends its interests—but on how boldly it chooses to act—and who it chooses to align with.

## How CRA Can Support Your Strategy in Brazil and LATAM

CRA can help navigate the political and economic landscape in Brazil and LATAM by providing support on risk identification, market intelligence, and regulatory analysis. In a context of shifting trade policies, evolving alliances, and growing competition, CRA's Risk, Investigations & Analytics (RIA) Practice assists organizations in assessing legal, commercial, and reputational risks that could impact their operations and investments. With a multidisciplinary team of former prosecutors, intelligence officers, forensic accountants, and data scientists, CRA delivers integrated insights to help clients anticipate challenges, safeguard strategic interests, and seize emerging opportunities across a rapidly changing global environment.

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<sup>23</sup> <https://www.cnnbrasil.com.br/economia/macroeconomia/veja-o-historico-da-relacao-comercial-entre-brasil-e-china-iniciada-ha-50-anos/>, "Veja o histórico da relação comercial entre Brasil e China, iniciada há 50 anos" published November 20, 2024

<sup>24</sup> <https://www.amcham.com.br/blog/eua-e-china-qual-parceiro-%C3%A9-mais-importante-para-o-brasil>, "EUA e China: qual parceiro é mais importante para o Brasil" published September 15, 2023

<sup>25</sup> <https://www.estadao.com.br/economia/quais-sao-os-principais-parceiros-comerciais-do-brasil-veja-ranking-nprei/>, "Estados Unidos, China, Japão? Quais são os principais parceiros comerciais do Brasil?" published February 9, 2025

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