Latin America was for the most part subject to US tariffs of 10%, half of what was imposed in the EU, and roughly a third of the charge for several Asian countries (UBS).

Latin America—The region the least hit by proposed tariffs

09 April 2025, 8:32 pm EDT, written by US Editorial Team

Market participants have been grappling with the potential fallout from the tariffs that had been announced by US President Trump just a few days ago. In the case of Latin America, effects could be heterogeneous, as the trade relationship with the US varies.

However, the potential deceleration in global growth, the weakening in global business sentiment, and the volatility in global financial markets are factors that are outright detrimental toward the LatAm region. Certainly, one of the greatest tariff threats to LatAm isn't just the tariffs themselves—it's the uncertainty and the risk aversion they bring about.

Mexico is unique

In Latin America, Mexico stands apart from the others. Its economy is intricately linked to the US, more so than perhaps any other nation globally. Approximately 80% of Mexico's exports head north, accounting for about 25% of its nominal GDP. No other country in the region boasts such a high degree of economic openness or connection to the US.

The USMCA protects a large bulk of Mexican exports from potential US tariffs, for now. That said, two sectors remain affected: 1) autos and some auto parts that do not entirely fulfill USMCA standards; and 2) aluminum and steel. For more information, please see Mexico lives to see another day, despite some auto-sector pain.

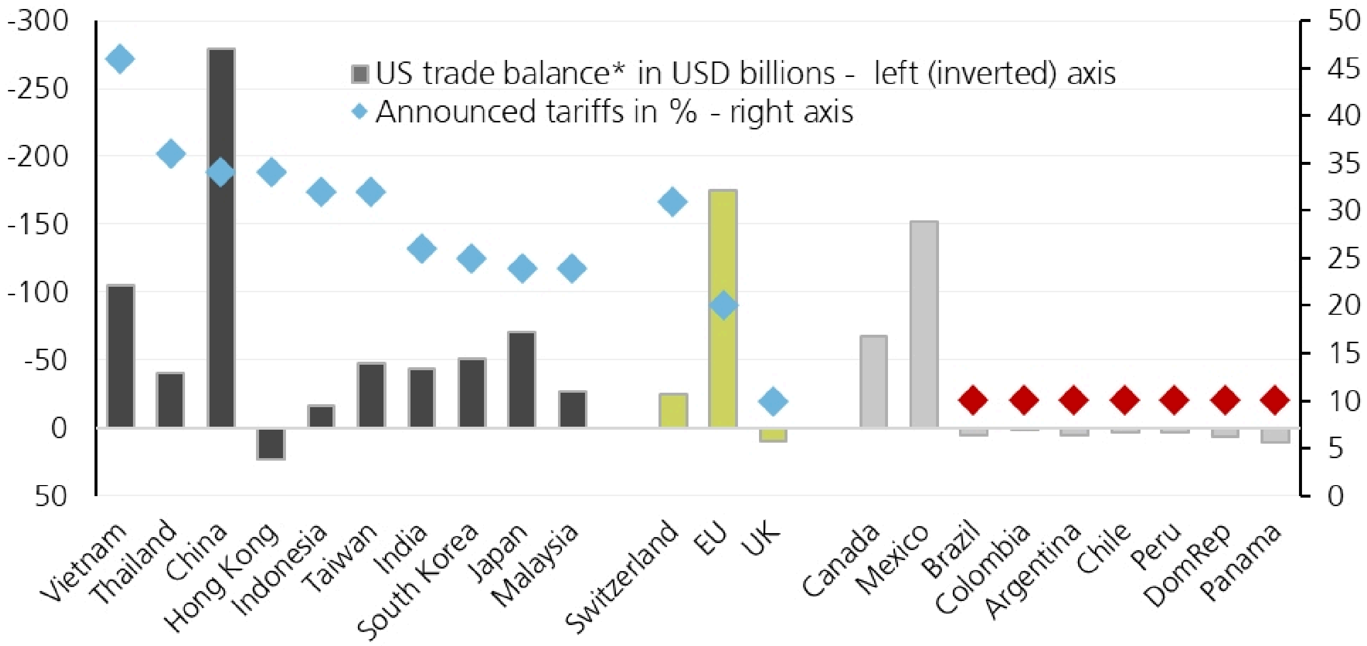
We think tariffs and tariff threats will inevitably weigh on activity, though—either directly through the trade channel, or indirectly via weaker investment sentiment.

Everyone else at the lower bucket of 10% tariffs

Notably, the US records trade surpluses with all major Latin American nations outside of Mexico. The White House therefore placed Argentina, Brazil, Chile, Colombia, Dominican Republic, Panama, and Peru in the lower 10% tariff bucket—a third of what it was initially imposed on emerging Asia countries and half of what was inflicted on the European Union.

Trade relationship and tariffs

Data for trade balance is for 2023; negative bars implies trade surplus. Markers refer to 2 April, 2025, White House tariff announcement.



IMF, White House, UBS, as of April 2025

Latin America—excluding Mexico—is not heavily exposed to US trade restrictions. Indeed, imposing tariffs on South America and the Caribbean would be inconsistent, as the region doesn't compete strongly with US manufacturing.

Our baseline scenario

LatAm isn't the place where we would make too much noise, especially since—excluding Mexico—countries there have little impact on the US economy. Weakening the region could lead to instability and migration to the US, counter to President Trump's policy goals. Our base-case scenario is that the tariff shock, while likely to cause softer growth amid high uncertainty, will result in policy adjustments and should be well navigated by LatAm authorities.

The White House's real target—and geopolitical adversary—is China, not its backyard neighbors. In this context, LatAm appears as the EM region whose economy should hurt the least amid this global structural shift.

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For more on this, please see our recent report Investment in **Emerging Markets — Monumental change**, released on 7 April 2025.

Note: The above report was written before President Trump's recent decision to halt for 90 days the implementation of some of the tariffs announced on 2 April.

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