IDOS | German Institute of Development and Sustainability

IDOS DISCUSSION PAPER 26/2025

The Global South and US Trade Policy

Structural Exposure and Economic Vulnerability in Selected Latin American Countries

Melike Döver

Martin Middelanis

The Global South and US trade policy

Structural exposure and economic vulnerability in selected Latin American countries

Melike Döver

Martin Middelanis

Bonn 2025

Melike Döver is a Researcher at Freie Universität Berlin in Germany.
Email: melike.doever@fu-berlin.de

Dr Martin Middelanis is a Researcher at Freie Universität Berlin in Germany.
Email: martin.middelanis@fu-berlin.de

The German Institute of Development and Sustainability (IDOS) is institutionally financed by the Federal Ministry for Economic Cooperation and Development (BMZ), based on a resolution of the German Bundestag, and the state of North Rhine-Westphalia (NRW) as a member of the Johannes-Rau-Forschungsgemeinschaft (JRF).

Suggested citation:
Döver, M., & Middelanis, M. (2025). *The Global South and US trade policy: Structural exposure and economic vulnerability in selected Latin American countries* (IDOS Discussion Paper 26/2025). German Institute of Development and Sustainability (IDOS). https://doi.org/10.23661/idp26.2025

IDOS Discussion Paper / German Institute of Development and Sustainability (IDOS) gGmbH
ISSN 2751-4439 (Print)
ISSN 2751-4447 (Online)
ISBN 978-3-96021-271-3 (Print)
DOI: https://doi.org/10.23661/idp26.2025

Tulpenfeld 6, 53113 Bonn
Email: publications@idos-research.de
https://www.idos-research.de

Printed on eco-friendly, certified paper.

Acknowledgements

We are very thankful to Tim Vogel, Frederik Stender, and Tim Röthel of the German Institute of Development and Sustainability (IDOS) for the fruitful exchange of ideas and their comments, which contributed considerably to the quality of the paper, and to Cynthia Arredondo for her helpful comments that improved our online application.

Abstract

This paper analyses the structural vulnerabilities of Latin American economies amid recent United States (US)-China tariff escalations and identifies strategic opportunities emerging from these shifts. Based on descriptive bilateral trade data from 2023 for the largest Latin American economies – Argentina, Brazil, Chile, Colombia and Mexico – the study assesses exposure to US tariffs at the industry level. It further highlights sectors with the potential to benefit from diverted trade flows in the context of trade polarisation between China and the US. The degree of exposure varies across countries, depending on export structure and trade partners. While the tariff conflict may enable some countries to expand exports to China or the US, most Latin American economies – except Mexico – export their largest share of their manufactured goods within the region. Strengthening regional trade integration can therefore enhance resilience to external shocks and support technological upgrading.

Contents

Figures

Tables

Preface

Since President Donald Trump's return to office, United States (US) trade policy has undergone a series of significant changes, with further far-reaching shifts remaining uncertain in both the short and long term. While the US-China trade war and its resulting arrangements during his first term already clashed with World Trade Organization (WTO) rules, the current administration is now going further by actively undermining the multilateral trading system. Most notably, it has threatened to impose so-called "reciprocal tariffs" on trading partners.

These proposed tariffs mark a sharp departure from the WTO's core principles of reciprocity and non-discrimination, signalling a broader US pivot towards a power-based approach to trade negotiations. This shift is evident in the increased pressure placed on trading partners to enter bilateral negotiations, coupled with the erratic nature of US tariff plans in both content and timeline. What looms ahead is a potential patchwork of inconsistent and unpredictable trade rules.

Yet the actual imposition of tariffs is only part of the story. Economic research has long emphasised the detrimental effects of policy uncertainty on trade performance. With Trump's open embrace of protectionism, this uncertainty has moved from the margins to the centre – casting a long shadow over global trade.

Anticipating the potential impact of proposed or enacted US trade measures ex-ante is difficult, as their scale and nature exceeds most historical precedents. Traditional trade models may thus prove inadequate in capturing the complex and dynamic effects of these shifts in the current geopolitical and economic landscape. Moreover, the shift towards protectionist and discriminatory policies is likely to generate unpredictable effects for both overall trade patterns and specific global value chains (GVCs), with highly uneven impacts across countries.

Among the most vulnerable to these changes are low- and middle-income countries (LMICs), which typically export raw materials, apparel and other low-cost goods to the US while importing relatively few high-value American products. These structural asymmetries leave LMICs particularly exposed to both direct tariff hikes and broader disruptions in global trade patterns.

Against this background, this paper is part of a series of discussion papers that explores structural trade linkages between selected LMICs and the US, drawing on recent trade data through descriptive analysis. The series identifies both direct and indirect trade vulnerabilities, while also highlighting potential opportunities arising from the ongoing shift in US trade strategy. These insights aim to support policymakers in LMICs and their international partners in crafting informed, pro-active responses to an increasingly uncertain trade environment.

Abbreviations

BACI	*Base pour l'Analyse du Commerce International* (International Trade Database at the Product Level)
CEPII	*Centre d'Études Prospectives et d'Informations Internationales* (Centre for Prospective Studies and International Information)
EU	European Union
GVC	Global value chain
HS22	Harmonized System 2022
n.e.c.	Not elsewhere classified
OEM	Original equipment manufacturer
SITC	Standard International Classification
UNCTAD	United Nations Trade and Development
USD	United States dollar
US	United States
USMCA	United States-Mexico-Canada Agreement

1 Introduction

Historically, trade in Latin America has been outward-oriented. During colonial times, trade relations were primarily with European colonial powers. Afterwards, trade with the United Kingdom became predominant. Since the early 20th century, the US has been the main export destination for Latin America (Badia-Miró & Carreras-Marín, 2014), until China overtook the United States (US) as Latin America's main trading partner in 2023 (Machado Parente & Moreau, 2024). Today, Latin American economies are highly integrated into Chinese and US value chains to varying degrees, mostly through supplying commodities and intermediate products.

This raises the question of the extent Latin American economies are exposed to trade shocks, such as the recent threat of tariffs by the US. Using trade flows from 2023, this discussion paper assesses which industries of the largest Latin American economies – Brazil, Mexico, Argentina, Chile and Colombia – depend strongest on exports to the US and are thus most vulnerable to rising US tariffs (Section 3). At the same time, the ongoing trade conflict and political fragmentation between the US and China could also present an opportunity for Latin American countries to substitute exports between the world's two largest economies. Section 4 assesses these opportunities at the industry level to provide a more comprehensive view of potential shifts in Latin American exports due to the current trade conflict. Our results show that the exposure to US trade shocks and the opportunities to benefit from the China-US trade conflict vary considerably across Latin American countries, given their very different export compositions towards these two large markets.

With the exception of Mexico, exports of the other four analysed countries to both China and the US are dominated by commodity exports. In intra-regional trade, the technology level of Latin American exports and the share of manufacturing are much higher (Döver & Middelanis, 2023). Therefore, in Section 5, we argue that regional trade integration in Latin America not only increases resilience to international trade shocks, but also provides opportunities for technological upgrading. Section 2 shortly presents the data used for the analysis and Section 6 concludes the discussion paper.

2 Data

To assess the exposure of Latin American exports to US tariffs and the opportunities for Latin American exporters to benefit from the escalation of tariffs between the US and China, we consider export data from the five largest Latin American economies: Brazil, Mexico, Argentina, Chile and Colombia. Export data are used in the most disaggregated form available, namely in 6-digit Harmonized System 2022 (HS22) classification data from the Centre for Prospective Studies and International Information's (CEPII) International Trade Database at the Product Level (BACI) (Gaulier & Zignago, 2010). We use data from the most recent year available, namely 2023.

For each economy, we determine the products most exposed to changes in US tariffs in two steps. First, we identify each country's core products by filtering all export products that represent at least 0.5 per cent of its export basket. The macroeconomic relevance of products excluded due to their very low export shares is limited. We assume that even if these industries were highly vulnerable to US tariffs, a decline would not significantly impact the overall economy. From this subset, we then select products for which at least one-third of exports are destined for the US market. We assume that products exported in smaller shares to the US are rather low in vulnerability, even if their export volume to the US is still high due to a high overall export volume. Broader export diversification helps absorb large parts of possible trade shocks and the products are likely to find alternative markets to which exports can be diverted (Bacchetta et al.,

2009; Yilmazkuday, 2025). With this approach, we intend to balance a sector's economic relevance with the exposure to trade shocks.[1] While we evaluate products' overall exposure to potential US tariffs, we do not consider variations in tariff rates.

To analyse the potential for Latin American exporters to replace US and Chinese exports, we focus only on the most traded products between these two countries, with an export value of more than USD 500 million in 2023. This discussion paper is complemented by a dynamic web application that allows users to replicate the analysis and extend it to many more products. The tool is accessible online (https://melikedoever.shinyapps.io/LATAM-trade-exposure/).

3 Exposure of Latin American countries to US tariffs

Table 1: Export volume of Latin American countries to the US

Country	Exports to the US (% of total)	Exports to the US (% of manufacturing goods)	Exports to China (% of total)	Exports to China (% of manufacturing goods)	Exports to Latin America (% of total)	Exports to Latin America (% of manufacturing goods)
Argentina	9.8	7.7	10	4.2	42.5	72.4
Brazil	9.8	22.8	30.1	3.7	16.2	43.5
Chile	15.1	14.5	38.7	28.8	13.4	27.8
Colombia	26.3	21.5	4.9	3.4	31.2	64
Mexico	76.3	78.0	2.2	1.6	4	4.1

Notes: All figures are given in per cent. Products are classified as manufacturing goods based on the United Nations Trade and Development (UNCTAD) classification "Manufactured goods by degree of manufacturing groups" (Standard International Classification [SITC] Rev. 3).

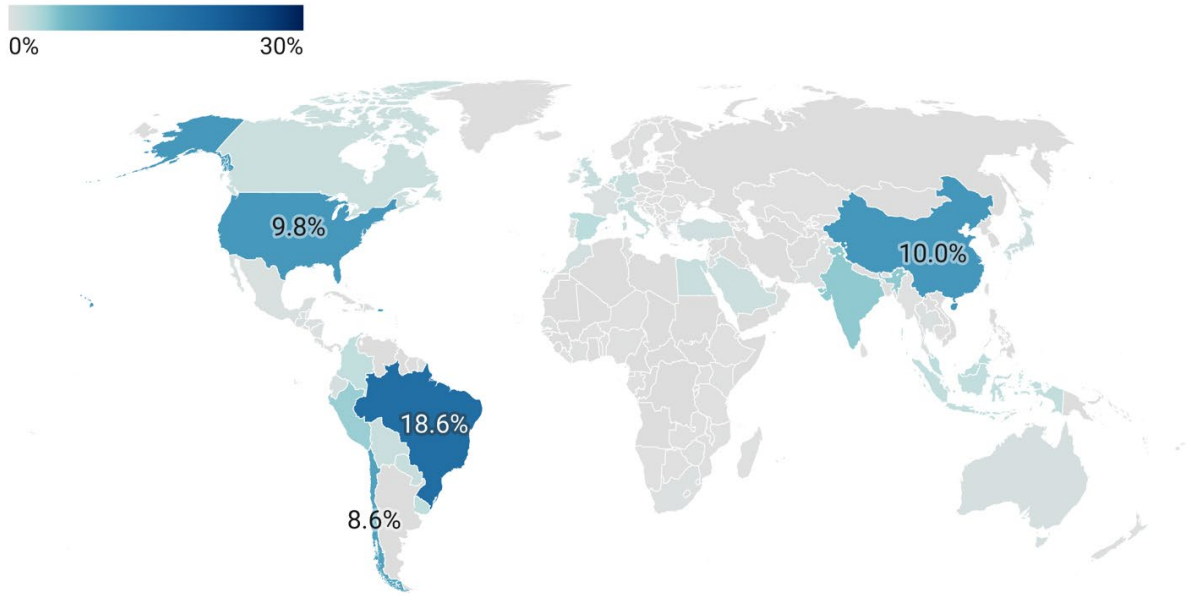
Source: Authors. Based on data from Gaulier and Zignago (2010).

As illustrated in Table 1, the significance of the US as an export destination varies considerably among the largest Latin American economies, with export shares directed to the US ranging from less than 10 per cent to over 75 per cent. This disparity shows that at the aggregate level, exposure to US tariffs varies widely. Additionally, there are significant differences in vulnerability to US tariffs among industries in the analysed countries. These vulnerabilities are examined in the following section. While we evaluate products' overall exposure to potential US tariffs, we do not consider variations in tariff rates. Tariff rates are currently changing rapidly. Our exposure analysis helps identify vulnerable products and industries in the event of tariff changes or new tariffs in their segment.

1 While this discussion paper focuses on the products with the highest exposure, the analysis can be replicated and extended to a broader set of products as demonstrated through a dynamic appendix available online (https://melikedoever.shinyapps.io/LATAM-trade-exposure/).

3.1 Argentina

Figure 1: Argentina's export shares of goods by destination



Source: Authors. Created with Datawrapper, based on data from Gaulier and Zignago (2010).

Argentina exports 9.8 per cent of its total exports to the US market, almost exclusively unprocessed commodities (Figure 1). In comparison to the other analysed countries, Argentina's exposure of its core exports to US tariffs is relatively low. Most core products reveal a US market concentration below 20 per cent. Only three products are primarily exported to the US: hormones, unwrought aluminium and crude petroleum oils with respective shares of 81.7 per cent, 67.3 per cent and 36.2 per cent directed to the US market. One major Argentinian export product is highly exposed to US tariffs, namely crude oil, which has an export value of nearly 4 billion USD and a share of 5.9 per cent in total Argentinian exports. When US tariffs limit sales opportunities in the US, regional exports within Latin America could provide an alternative for oil. Currently, Latin America is already the biggest market for Argentinian oil, accounting for 51.8 per cent of exports. Additionally, a significant portion of aluminium exports are directed to regional countries (19 per cent) and a significant portion of hormones are exported to the European Union (EU) (18 per cent). Increasing these existing trade flows could mitigate the effects of US tariffs. In total, the highly exposed products account for 7.6 per cent of exports.

Table 2: Argentina's export products most exposed to US tariffs

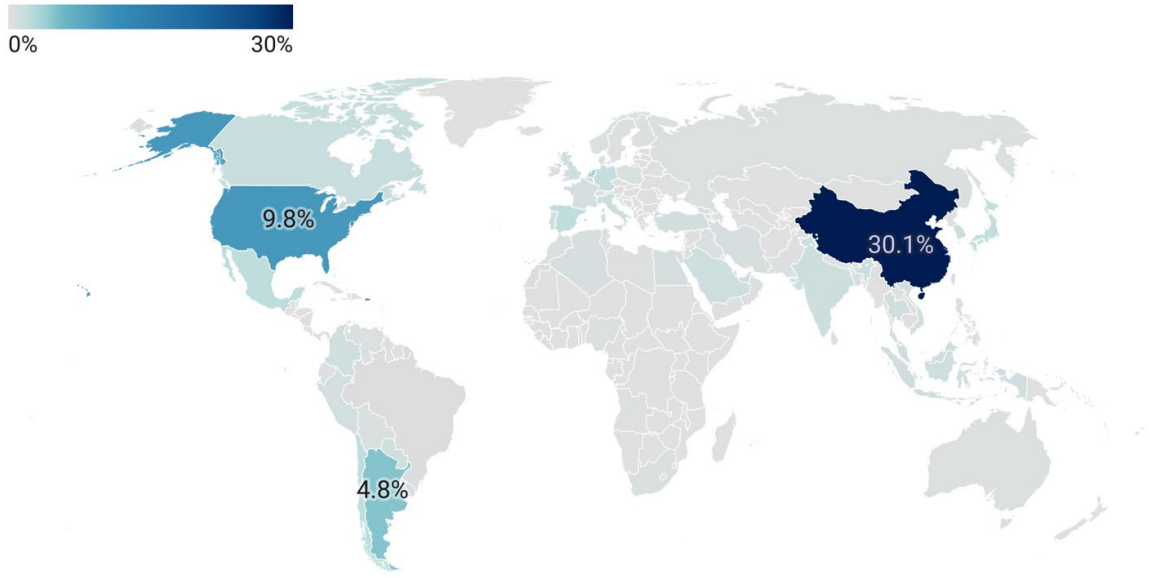
Description	HS22	Export value (million USD)	Product share in total exports (%)	US market concentration (%)
Polypeptide hormones, protein hormones and glycoprotein hormones, their derivatives and structural analogues: other than somatotropin, (its derivatives and structural analogues), and insulin and its salts	293719	669.0	1.0	81.7
Aluminium: unwrought, (not alloyed)	760110	450.8	0.7	67.3
Oils: petroleum oils and oils obtained from bituminous minerals, crude	270900	3,963.7	5.9	36.2

Notes: An extended version of the table is available in the appendix online.

Source: Authors. Based on data from Gaulier and Zignago (2010).

3.2 Brazil

Figure 2: Brazil's export shares of goods by destination



Source: Authors. Created with Datawrapper, based on data from Gaulier and Zignago (2010).

Brazil's export share to the US resembles that of Argentina, also representing 9.8 per cent of total exports (Figure 2). Similarly, three core products show the highest exposure to US trade policy, each of them with a total export share below 1 per cent of Brazil's total exports, so that highly exposed major export products only account for 1.9 per cent of Brazil's exports. Most exposed to the US are pig iron (73.2 per cent) and semi-finished steel (59.9 per cent). Furthermore, 41 per cent of Brazil's aircraft – a key high-technology product and cornerstone of Brazil's industrial strategy (Hira & De Oliveira, 2007; Marques & De Oliveira, 2009) – are shipped to the US. In addition to the US, the EU is also a significant market for Brazilian airplanes (24 per cent).

As Brazil (Mercosur) and the EU continue to integrate their trade, this trade flow could expand as access to the US market becomes more limited due to tariffs. Besides aluminium, steel serves as a centre element in US President Trump's protectionist agenda since his first term (The White House, 2025), so tariffs for this product are especially likely to be persistent.

Table 3: Brazil's export products most exposed to US tariffs

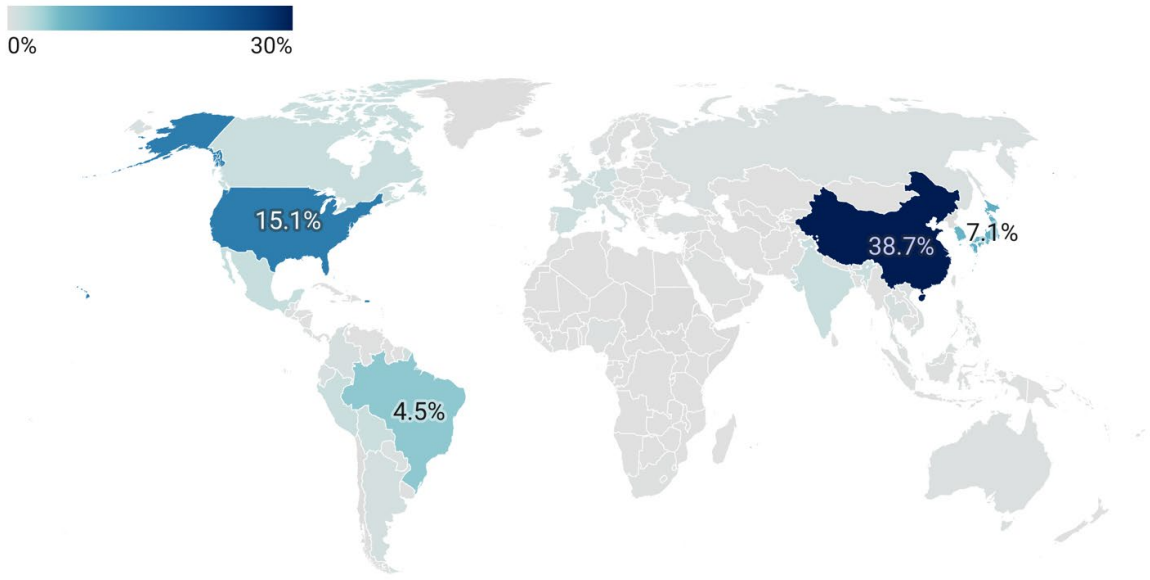
Description	HS22	Export value (million USD)	Product share in total exports (%)	US market concentration (%)
Iron: non-alloy pig iron containing by weight 0.5% or less of phos-phorus, in pigs, blocks or other primary forms	720110	1,862.0	0.5	73.2
Iron or non-alloy steel: semi-finished products of iron or non-alloy steel containing by weight less than 0.25% of carbon, of rectangular (other than square) cross-section	720712	2,736.1	0.8	59.3
Aeroplanes and other aircraft, except unmanned: of an unladen weight exceeding 15,000 kg	880240	2,227.5	0.6	41

Notes: An extended version of the table is available in the appendix online.

Source: Authors. Based on data from Gaulier and Zignago (2010).

3.3 Chile

Figure 3: Chile's export shares of goods by destination



Source: Authors. Created with Datawrapper, based on data from Gaulier and Zignago (2010).

A notable 15.1 per cent of Chile's exports are destined for the US (Figure 3), representing a slightly larger share than that of Argentina and Brazil. The country's exposure is also spread across more product categories. The most exposed exports are rubber for tire production (94.6 per cent), unwrought silver (46.6 per cent), and fresh (92.8 per cent) and frozen salmon fillets (46.2 per cent). A large share of fresh grapes and petroleum are also exported to the US market. Nevertheless, all of these products do not account for a high share in the Chilean export basket, so they only comprise a total share of 6.7 per cent. This is lower than the share of highly exposed industries in Argentina. With the exception of silver and grapes, all of these products involve at least minimal forms of industrial processing. Salmon, Chile's major non-copper export product, is highly strategic for the country's diversification and employment (Ceballos-Concha et al., 2025) and the processing is technology intensive. Chile could divert its oil exports to Latin American countries, to which it already sends nearly two-thirds of its oil exports.

Table 4: Chile's export products most exposed to US tariffs

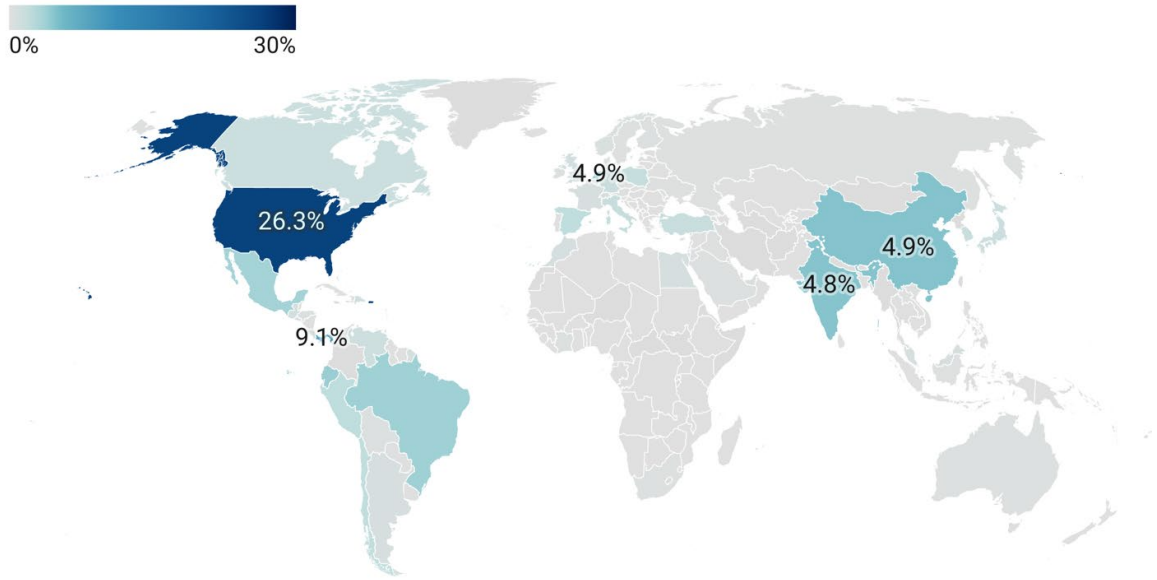
Description	HS22	Export value (million USD)	Product share in total exports (%)	US market concentration (%)
Rubber: new pneumatic tyres, of a kind used on motor cars (including station wagons and racing cars)	401110	440.2	0.5	94.6
Fish fillets: fresh or chilled, salmon, Pacific (*Oncorhynchus nerka, Oncorhynchus gorbuscha, Oncorhynchus keta, Oncorhynchus tschawytscha, Oncorhynchus kisutch, Oncorhynchus masou and Oncorhynchus rhodurus*), Atlantic (*Salmo salar*), Danube (*Hucho hucho*)	030441	1,860.1	1.9	92.8
Metals: silver, unwrought, (but not powder)	710691	476.4	0.5	46.6
Fish fillets: frozen, salmon, Pacific and Atlantic (various species)	030481	1,356.6	1.4	46.2
Fruit, edible: grapes, fresh	080610	1,098.4	1.1	41.4
Petroleum oils and oils from bituminous minerals, not crude	271000	1,199.8	1.2	35.3

Notes: An extended version of the table is available in the appendix online.

Source: Authors. Based on data from Gaulier and Zignago (2010).

3.4 Colombia

Figure 4: Colombia's by destination



Source: Authors. Created with Datawrapper, based on data from Gaulier and Zignago (2010).

Colombia exports approximately one-quarter of its exports to the US (Figure 4). Among the products with the largest exposure to the US market are energy and other extractives (crude and refined oil and unwrought gold), cut flowers, raw coffee and coffee extracts, as well as structural components from aluminium. Together these products comprise around 45.4 per cent of the country's total exports, so nearly half of Colombia's main export industries are highly exposed to US tariffs. In addition to Colombia's main export product, namely oil, these include cut flowers, for which Colombia is the world's second largest exporter, and coffee, which is relevant in Colombia's cultural heritage and national identity. There are alternatives to the US market for Colombian exports of coffee extracts (26.7 per cent of which are directed to Latin America), oil (34 per cent to Latin America), cut flowers (25.4 per cent to the EU) and coffee (24.4 per cent to the EU). Coffee is the only product for which the US does not have relevant domestic production that the five largest Latin American countries export to the US. This means that the US depends on coffee imports and cannot replace them with domestic production. Therefore, if all countries are targeted by US tariffs, Colombia will not face a reduction in its competitiveness in exporting coffee to the US compared with the rest of the world.

Table 5: Colombia's export products most exposed to US tariffs

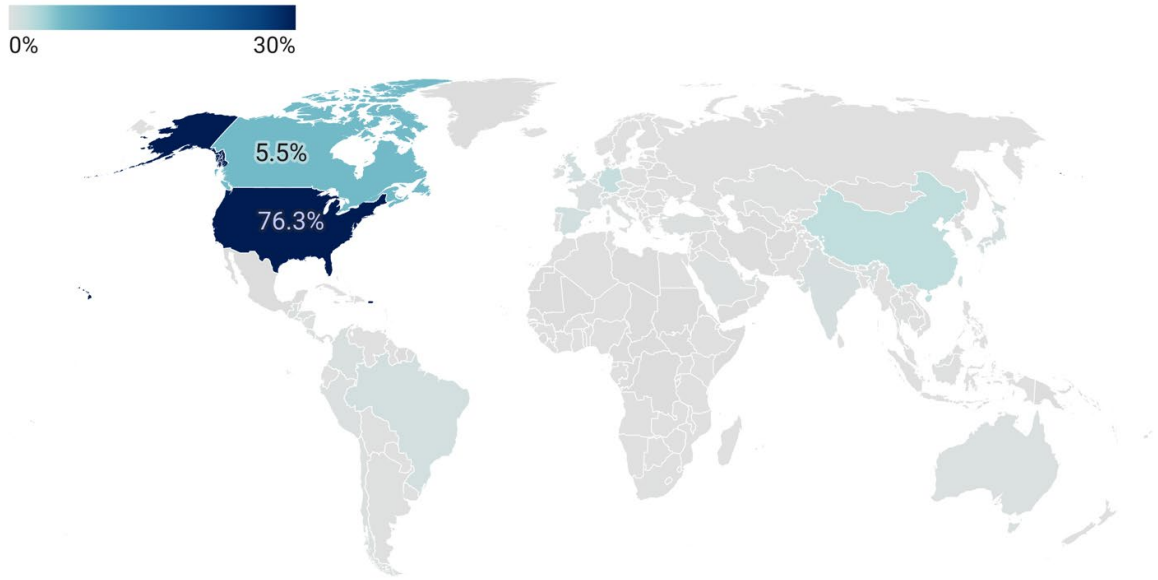
Description	HS22	Export value (million USD)	Product share in total exports (%)	US market concentration (%)
Aluminium: structures (excluding prefabricated buildings of heading no. 9406) and parts of structures, doors, windows and their frames and thresholds for doors	761010	647	1.3	97.3
Flowers, cut: roses, flowers and buds of a kind suitable for bouquets or ornamental purposes, fresh	060311	375.7	0.7	78.4
Flowers, cut: flowers and buds of a kind suitable for bouquets or ornamental purposes, fresh, other than roses, carnations, orchids, chrysanthemums or lillies	060319	413.5	0.8	75.3
Petroleum oils and oils from bituminous minerals, not crude: preparations not elsewhere classified (n.e.c.) containing by weight 70% or more of petroleum oils or oils from bituminous minerals: these being the basic constituents of the preparations: waste oils	271000	2,931.4	5.7	52.4
Metals: gold, non-monetary, unwrought (but not powder)	710812	2,898.9	5.6	44.1
Extracts, essences and concentrates: of coffee, and preparations with a basis of these extracts, essences or concentrates or with a basis of coffee	210111	385.4	0.7	42.5
Flowers, cut: carnations, flowers and buds of a kind suitable for bouquets or ornamental purposes, fresh	060312	285.1	0.6	40.5
Coffee: not roasted or decaffeinated	090111	2,800.9	5.4	39.8
Oils: petroleum oils and oils obtained from bituminous minerals, crude	270900	12,665.5	24.6	34.3

Notes: An extended version of the table is available in the appendix online.

Source: Authors. Based on data from Gaulier and Zignago (2010).

3.5 Mexico

Figure 5: Mexico's export shares of goods by destination



Source: Authors. Created with Datawrapper, based on data from Gaulier and Zignago (2010).

76.3 per cent of Mexico's total exports and 78 per cent of its manufacturing exports are directed to the US (Figure 5 and Table 1). Mexico's economic model relies heavily on its proximity to the US, favourable market access under the US-Mexico-Canada (USMCA) trade agreement, and the significant wage differentials between the two countries (Contreras et al., 2012). Foreign direct investment in Mexico is mainly driven by the aim of producing goods to export to the US. This investment comes from both US companies and, since the trade conflict between China and the US in 2018, a growing number of foreign companies from other countries under the terms of nearshoring and friendshoring (Utar et al., 2023). Typically, labour-intensive tasks in global value chains (GVCs) are located in Mexico, such as final assembly. The technological sophistication of exported products varies widely – from textiles to medical instruments – but these exports often contain high import values and limited value added in Mexico (Blyde, 2014).

This high dependency on the US market also translates to the sector level. Except for copper, which is almost exclusively exported to China, all 37 major export products are exported to the US, with a share of 47.8 per cent or higher (the 10 most exposed products are listed in Table 6: for the full list, see Appendix A). These products include manufacturing products such as vehicles and vehicle parts, electronic products such as televisions, freezers and air conditioners, as well as intermediate electronic products and medical instruments. Oil, beer, spirits, fruits and vegetables are also exported in large volumes to the US. Mexico does not export large shares of any of its major export products to other single markets, which could serve as an alternative when exports to the US are threatened by tariffs. Consequently, these industries and Mexico's total export revenue are highly vulnerable to changes in US trade policy.

Table 6: Mexico's export products most exposed to US tariffs

Description	HS22	Export value (million USD)	Product share in total exports (%)	US market concentration (%)
Air conditioning machines: with motor driven fan and elements for temperature control, parts thereof	841590	5,128.4	0.9	95.8
Trailers and semi-trailers: (other than tanker type)	871639	3,736.0	0.6	93.9
Petroleum oils and oils from bituminous minerals, not crude	271000	4,939.6	0.8	93.7
Vegetables: tomatoes, fresh or chilled	070200	3,071.7	0.5	92.2
Beer: made from malt	220300	6,316.5	1.0	91.8
Insulated electric conductors: ignition wiring sets and other wiring sets of a kind used in vehicles, aircraft or ships	854430	11,194.9	1.9	91.7
Vehicles: parts and accessories, of bodies, other than safety seat belts	870829	8,943.7	1.5	90.1
Seats: parts, (of other than wood) for use in the assembly of motor vehicles	940199	7,441.9	1.2	89.1
Vehicle parts and accessories: n.e.c. in heading no. 8708	870899	7,335.7	1.2	88.6
Refrigerators and freezers: combined refrigerator-freezers, fitted with separate external doors	841810	4,715.8	0.8	88.4

Notes: As the list of vulnerable products for Mexico is very long, we only include the 10 most affected products in this table. The full list of products exposure is included in Appendix A.

Source: Authors. Based on data from Gaulier and Zignago (2010).

4 Opportunities for Latin American countries in the US-China trade conflict

With US companies currently facing the threat of tariffs above 100 per cent on exports to China and Chinese companies facing similar tariff threats for exports to the US, their competitiveness in the other country's market is significantly reduced. Meanwhile, Latin American countries are not especially threatened by high US tariffs because, with the exception of Mexico and Guyana, no Latin American country has a trade surplus with the US. This trade environment, in which (1) the US imposes high tariffs on imports from China, to which (2) China responds by imposing similarly high tariffs and (3) the US imposes relatively modest tariffs on imports from Latin American countries, while (4) China has a free trade agreement with Chile and trades with the other Latin American economies under the Most Favoured Nation framework, provides the basis for the following analysis.[2]

Tariffs do not necessarily lead to the elimination of trade, but could cause trade to be diverted elsewhere (Viner, 2014). Since Chinese (and US) firms are at a severe disadvantage due to high tariffs, trade could divert to exporters from other countries that face lower or no tariffs. In this sense, Latin American exporters that sell the same products to China (the US) as US (Chinese) competitors could benefit in two ways. First, they could profit from more favourable market access conditions, which would provide them with a relative price advantage. Consequently, they may be able to increase their export volumes to the US (China) and replace their now-disadvantaged competitors (Eugster et al., 2022). Second, they could command higher prices for their products as the overall price level of imports rises due to tariffs between China and the US (Amiti et al., 2019). These effects are most pronounced for products for which the US (China) is a dominant supplier in the Chinese (US) market. In the short term, commodities and unspecific manufacturing are more likely to be replaced. More specific manufacturing, especially within GVCs, requires adapting to the importer's requirements.[3] To benefit from supplier substitution and higher prices of US exports, countries must already export significant quantities of the same product to China, as developing new production capacity and distribution networks is costly and time-consuming (Burstein et al., 2003; Das et al., 2007). Using recent trade data, we identify products that China (or the US) exports to the US (or China) that are also exported by Latin American countries to these destinations. For these products, Latin American countries are positioned in a favourable position to benefit from the tariff conflict between China and the US.

4.1 Opportunities to replace US exports to China

Appendix B lists the top 30 US exports to China in 2023, with values exceeding 500 million USD. The two products with the highest export value by far – each surpassing 10 billion USD – are soybeans and oils. For both, Brazil already exports more to China than the US, positioning it well to benefit from Chinese tariffs on US exports. Among the countries examined, Brazil stands out as best positioned to take advantages of higher prices of US exports to China. It also exports

2 At the date of writing this discussion paper in May 2025, US tariffs on most Latin American countries are 10 per cent while US tariffs on China are 145 per cent and Chinese tariffs on US products are 125 per cent.

3 For example, in the automotive sector, original equipment manufacturers (OEMs) and Tier 1 suppliers often co-develop model-specific parts, which limits the entry of new firms (Wuttke, 2022). Similar supply-chain lock-ins exist in electronics (Sturgeon & Kawakami, 2010). Importer-specific non-tariff barriers, such as standards and certifications, can also hinder substitution, especially for processed foods (Disdier & Fontagné, 2010) and pharmaceuticals (Pan American Health Organization & World Health Organization, 2022).

larger volumes of cereals and meat and has significant exports to China of other major US products, such as cotton and copper ores.

Other Latin American countries also have some similarities with the US in their export structure to China, albeit with lower export volumes. Argentina has opportunities mainly in soybeans, oils, cereals and meat. Chile has significant export volumes in wood pulp and especially in its main export, copper. However, Chile's export volume of copper to China is more than 10 times that of the US, so the price effect on the Chinese market may not be very pronounced. Colombia also exports oil to China, but only in volumes that amount to 5 per cent of Brazil's oil exports to China. Colombia could also benefit from reduced US competition in coal exports. Mexico has several products that it and the US export in relatively large quantities to China, including copper and oil, as well as medical instruments, vehicles and electronics. Some of these are linked to assembly operations for US firms.

Mexico is thus the only Latin American country that could benefit significantly from rising manufacturing exports to China. For all other countries, the opportunities in the China-US trade conflict lie in less sophisticated commodity exports. Nevertheless, for Brazil, in particular, higher Chinese tariffs on US exports can provide a significant boost to its largest export sectors to China. The other Latin American countries could also see opportunities in some of their export sectors.

4.2 Opportunities to replace Chinese exports to the US

China became the main target of Trump's tariffs due to its large trade surplus with the US. Whereas US exports to China amounted to 145 billion USD in 2023, Chinese exports to the US amounted to 440 billion USD. This disparity also becomes clear at the product level: China exported 135 product categories exceeding 500 million USD, while the US only exported 30 categories exceeding this value to China.[4] While China exports much larger volumes to the US, opportunities for Latin American countries, except for Mexico, to benefit from reduced Chinese competitiveness are far more limited than in the case of US exports to China.

The main reason is that China exports few commodities to the US, bearing little resemblance to the export structures of Latin American countries which are mostly specialised in commodities. As a result, Argentina and Colombia do not share any of China's largest exports to the US and Chile shares only one (animal fats), but also in limited quantities. Brazil overlaps in engines, turbines and footwear, but again, these are exported in much smaller quantities compared with China. Mexico is the only Latin American country whose export structure to the US resembles that of China, due to its strong industrial base. Mexico overtook China as the largest exporter to the US in 2023 (Setser, 2024), partly due to the relocation of production to Mexico to avoid being affected by US tariffs on China – so-called friendshoring (Alfaro & Chor, 2023). Thus, Mexico already has experience in benefiting from trade conflicts between China and the US. Given that the trend of Mexican exports in replacing Chinese exports to the US already occurred at much lower tariff levels, Mexico could substantially benefit from the recent escalation of tariffs. Of the top 135 products that China exported to the US with a value of at least 500 million USD in 2023, Mexico met the 500 million USD threshold for 45 products and exported at least 100 million USD for 87 of them. Thus, there are significant opportunities for Mexico to benefit from higher US tariffs on Chinese products.

4 Due to the length of the table, we excluded the table showing the main export products from China to the US from this discussion paper; however, it can be accessed on our webpage.

5 Resilience to trade shocks and opportunities for upgrading through regional trade

While China and the US represent the world's two largest economies and therefore provide large markets for possible exports, Table 1 also highlights that regional trade within Latin America also plays a relevant role. It must be noted that regional trade integration in Latin America is underdeveloped compared with other regions (Machado Parente & Moreau, 2024; Moncarz et al., 2023). Intraregional trade accounts for only 14.7 per cent of total Latin American trade (Giordano & Michalczewsky, 2025). This is despite various free trade agreements in the region, the largest of which are Mercosur and the Pacific Alliance (*Alianza del Pacífico*). However, these agreements are said to resemble a spaghetti bowl, meaning there are many overlapping agreements that create complexity and inefficiencies (Gómez-Mera & Varela, 2021). Trade within Mercosur has also been marked by asymmetries, as Brazil's outward orientation contrasts with smaller members' dependence on Brazil as a main export destination (e.g., Yeats, 1998; Snoeck et al., 2009; Bustos, 2011). Furthermore, temporary increases in protectionist measures in reaction to Brazil's unilateral policy decisions – such as the introduction of non-tariff measures – have contributed to the fragmentation of regional trade (Bouzas, 2005; Krapohl et al., 2014). Consequently, there is still room for further regional trade integration. Despite these shortcomings, regional exports from Argentina and Colombia account for a higher share of total exports than exports to China or the US.

As we have seen in the previous sections, exports to China and the US are mainly dominated by primary products for all Latin American countries, except those from Mexico. When looking at manufacturing exports, which are seen as a key contributor for economic development in developing countries (Rodrik, 2013), the relevance of regional trade becomes even more outstanding (Table 1). For Argentina, Brazil and Colombia, regional exports account for the largest share by far in manufacturing exports. For Chile, the share is nearly equal to the leading export destination, China. Regional trade plays a marginal role only for Mexico.

It is a stylised fact that the production and export of higher technology goods provides the best opportunities for technological upgrading, linkages, innovation and sustained economic development (Hausmann et al., 2007; Lall, 2000). When we classify the export products according to their technology level, it appears that regional trade by far accounts for the largest shares of medium- and high-tech exports in several of the countries in our sample (Table 7). More than two-thirds of all medium-tech exports in Argentina, Chile and Colombia are directed towards Latin American countries, and nearly half of the Brazilian medium-tech exports. For high-tech exports, nearly three-quarters of Argentinian exports are directed towards the region, as well as more than half of Chile's and Colombia's exports. Consequently, for all major Latin American countries apart from Mexico, in the face of ongoing trade conflicts, regional trade is not only resilient to possible tariffs, but is also the largest market for advanced technology products.

Table 7: Medium- and high-tech exports to Latin America

Exporter	Medium-tech exports (million USD)	Regional share of medium- tech exports (%)	High-tech exports (million USD)	Regional share of high-tech exports (%)
Argentina	10,834.7	84.5	884.8	73.9
Brazil	23,324.9	47.6	2,279.5	23.4
Chile	2,246.1	69.4	360.2	54.3
Colombia	3,883.3	72.2	735.5	59.6
Mexico	11,049.9	3.7	4,442.6	3.7

Source: Authors. Based on data from Gaulier and Zignago (2010), paired with a product key according to Lall (2000) to differentiate technology levels.

6 Conclusion

Increasing uncertainty and frictions in the global trade order due to escalating tariffs pose a challenge for the whole world. This discussion paper highlights how scenarios of increasing US tariffs on Latin American countries and escalating tariffs between China and the US could affect the five largest Latin American economies. The conditions in each of the selected Latin American countries in the context of the current trade conflict are very heterogeneous. There are several results that can be extracted from this discussion paper.

First, Mexico is by far the country in Latin America that is most exposed to an increase in US tariffs, as more than three-quarters of its exports are directed to the US. Consequently, basically all Mexican key export industries are highly exposed to rising US tariffs. Even though not comparable to Mexico's degree of exposure, several key Colombian export products are also directed in large shares to the US, so that products accounting for 45 per cent of its exports are highly exposed to US tariffs. In comparison, for Argentina, Brazil and Chile the exposure to rising US tariffs is rather low, as the products that depend most on the US market account for relatively low shares in total exports, with the exception of crude oil in Argentina.

Second, several Latin American countries could benefit from rising Chinese tariffs on US imports as they share similar export products to China with the US. Especially Brazil, which shares its main export products to China with the US, could benefit considerably from higher Chinese import prices for its products and the possibility to replace US exports to China. However, for all countries apart from Mexico, mainly unprocessed primary products would benefit from higher prices for US competitors.

Third, there are only limited opportunities for Latin American countries, apart from Mexico, to replace Chinese exports to the US, if US tariffs for Chinese imports were to rise. China exports mainly manufacturing goods to the US while most Latin American countries export mainly primary products. This means that there is little overlap in export structures. The considerable exception is Mexico, which already exports many of the main Chinese export products in large quantities to the US and could be one of the main beneficiaries of the China-US tariff escalation, as it was already in the past years (Utar et al., 2023). On the other hand, Mexico's economic model relies heavily on its preferential, tariff free access to the US market, being strongly exposed to US tariffs. Consequently, the overall outcome of the tariff conflict for Mexico is highly sensitive to the magnitude of tariffs set on Chinese exports relative to tariffs on Mexican exports. An environment in which the US changes its tariffs rapidly exposes the whole Mexican economy to high uncertainty, which is detrimental for economic development and investments (Dixit & Pindyck, 1994; Handley & Limão, 2022).

Finally, this discussion paper shows that all major Latin American countries apart from Mexico heavily rely on primary products as their main exports to the world's largest markets, namely China and the US. Further trade integration with the EU could open alternative markets for Latin American exporters and help diversify export destinations. The ongoing negotiation of the EU-Mercosur free trade agreement could provide South American exporters with better access to the EU market. However, trade with the EU is also dominated by commodity exports for most Latin American countries. Primary products provide less opportunities for sustained economic development compared with manufacturing products, especially when the manufacturing products are technologically sophisticated. In contrast to exports to industrialised countries, exports within the region contain a much higher share of manufacturing and a higher level of technology for Argentina, Brazil, Chile and Colombia. Regional trade is the main destination of their medium- and high-tech products. We make the case that in an environment of increasing international trade tensions, strengthening regional trade integration does not only increase the resilience of Latin American countries to international tariff shocks, but also means enlarging their main market for the products that are most promising for economic development.

References

Alfaro, L., & Chor, D. (2023). *Global supply chains: The looming "Great Reallocation"* (Working Paper 31661). National Bureau of Economic Research. https://doi.org/10.3386/w31661

Amiti, M., Redding, S. J., & Weinstein, D. E. (2019). The impact of the 2018 tariffs on prices and welfare. *Journal of Economic Perspectives*, *33*(4), 187-210. https://doi.org/10.1257/jep.33.4.187

Bacchetta, M., Jansen, M., Lennon, C., & Piermartini, R. (2009). Exposure to external shocks and the geographical diversification of exports. In R. Newfarmer, W. Shaw, & P. Walkenhorst (Eds.), *Breaking into new markets: Emerging lessons for export diversification* (pp. 81-100). The World Bank.

Badia-Miró, M., & Carreras-Marín, A. (2014). Latin America and its main trade partners, 1860-1930: Did the first World War affect geographical patterns? In C. Yáñez & A. Carreras (Eds.), *The economies of Latin America: New cliometric data* (pp. 59-68). Pickering & Chatto; Cambridge Core. https://www.cambridge.org/core/product/652C8C7954BAC672C76B9B6B611EF9F6

Blyde, J. S. (2014). The participation of Mexico in global supply chains: The challenge of adding Mexican value. *Applied Economics Letters*, *21*(7), 501-504. https://doi.org/10.1080/13504851.2013.870647

Bouzas, R. (2005). Compensating asymmetries in regional integration agreements, lessons from Mercosur. In J. Meyer-Stamer, P. Giordano, & F. Lanzafame (Eds.), *Asymmetries in regional integration and local development* (pp. 85-112). Inter-American Development Bank. https://doi.org/10.18235/0012309

Burstein, A. T., Neves, J. C., & Rebelo, S. (2003). Distribution costs and real exchange rate dynamics during exchange-rate-based stabilizations. *Journal of Monetary Economics*, *50*(6), 1189-1214. https://doi.org/10.1016/S0304-3932(03)00075-8

Bustos, P. (2011). Trade liberalization, exports, and technology upgrading: Evidence on the impact of MERCOSUR on Argentinian firms. *American Economic Review*, *101*(1), 304-340. https://doi.org/10.1257/aer.101.1.304

Ceballos-Concha, A., Asche, F., & Cárdenas-Retamal, R. (2025). Salmon aquaculture in Chile: Production growth and socioeconomic impacts. *Reviews in Aquaculture*, *17*(1), e12993. https://doi.org/10.1111/raq.12993

Contreras, O. F., Carrillo, J., & Alonso, J. (2012). Local entrepreneurship within global value chains: A Case Study in the Mexican Automotive Industry. *World Development*, *40*(5), 1013-1023. https://doi.org/10.1016/j.worlddev.2011.11.012

Das, S., Roberts, M. J., & Tybout, J. R. (2007). Market entry costs, producer heterogeneity, and export dynamics. *Econometrica*, *75*(3), 837-873. https://doi.org/10.1111/j.1468-0262.2007.00769.x

Disdier, A.-C., & Fontagné, L. (2010). Trade impact of European measures on GMOs condemned by the WTO panel. *Review of World Economics*, *146*(3), 495-514. https://doi.org/10.1007/s10290-010-0057-7

Dixit, A. K., & Pindyck, R. S. (1994). *Investment under uncertainty*. Princeton University Press. https://doi.org/10.1515/9781400830176

Döver, M., & Middelanis, M. (2023). *Regional South-South trade and the Dutch Disease: The case of Latin American commodity exporters*. https://doi.org/10.2139/ssrn.4661008

Eugster, J., Jaumotte, F., MacDonald, M., & Piazza, R. (2022). *The effect of tariffs in global value* chains (IMF Working Paper No. 2022/040). International Monetary Fund. https://www.imf.org/en/Publications/WP/Issues/2022/02/25/The-Effect-of-Tariffs-in-Global-Value-Chains-513172

Gaulier, G., & Zignago, S. (2010). *BACI: International trade database at the product-level (the 1994-2007 version)* (CEPII Working Paper, 2010-23). https://doi.org/10.2139/ssrn.1994500

Giordano, P., & Michalczewsky, K. (2025). *Trade trends estimates: Latin America and the Caribbean. 2025 Edition*. Inter-American Development Bank. https://doi.org/10.18235/0013360

Gómez-Mera, L., & Varela, G. (2021). Deep trade agreements and domestic institutions in the Americas. *Latin American Research Review*, *56*(3), 607-624. https://doi.org/10.25222/larr.679

Handley, K., & Limão, N. (2022). Trade policy uncertainty. *Annual Review of Economics*, *14*(1), 363-395. https://doi.org/10.1146/annurev-economics-021622-020416

Hausmann, R., Hwang, J., & Rodrik, D. (2007). What you export matters. *Journal of Economic Growth*, *12*(1), 1-25. https://doi.org/10.1007/s10887-006-9009-4

Hira, A., & De Oliveira, L. G. (2007). Take off and crash: Lessons from the diverging fates of the Brazilian and Argentine aircraft industries. *Competition & Change*, *11*(4), 329-347. https://doi.org/10.1179/102452906X239501

Krapohl, S., Meissner, K. L., & Muntschick, J. (2014). Regional powers as leaders or Rambos? The ambivalent behaviour of Brazil and South Africa in regional economic integration. *JCMS: Journal of Common Market Studies*, *52*(4), 879-895. https://doi.org/10.1111/jcms.12116

Lall, S. (2000). The technological structure and performance of developing country manufactured exports, 1985-98. *Oxford Development Studies*, *28*(3), 337-369. https://doi.org/10.1080/713688318

Machado Parente, R., & Moreau, F. (2024). *The dynamics of trade integration and fragmentation in LAC* (IMF Working Papers) 2024(253). https://doi.org/10.5089/9798400296093.001

Marques, R. A., & De Oliveira, L. G. (2009). Sectoral system of innovation in Brazil: Reflections about the accumulation of technological capabilities in the aeronautic sector (1990-2002). In F. Malerba & S. Mani (Eds.), *Sectoral systems of innovation and production in developing countries*. Edward Elgar Publishing. https://doi.org/10.4337/9781849802185.00012

Moncarz, P. E., Flores, M., Villano, S., & Vaillant, M. (2023). Intra- and extra-regional trade costs: A comparative approach to Latin-American performance. *The World Economy*, *46*(8), 2248-2284. https://doi.org/10.1111/twec.13400

Pan American Health Organization & World Health Organization (Eds.). (2022). *Regulatory system strengthening in the Americas: Lessons learned from the national regulatory authorities of regional reference*. Pan American Health Organization. Paho.org: https://iris.paho.org/handle/10665.2/53793

Rodrik, D. (2013). Unconditional convergence in manufacturing. *The Quarterly Journal of Economics*, *128*(1), 165-204. https://doi.org/10.1093/qje/qjs047

Setser, B. W. (2024, February 20). Why US imports from Mexico surpassed those from China. *Council on Foreign Relations*. Cfr.org: https://www.cfr.org/in-brief/why-us-imports-mexico-surpassed-those-china

Snoeck, M., Pittaluga, L., Pastori, H., Domingo, R., & Casacuberta, C. (2009). *The emergence of successful export activities in Uruguay: Four case studies* (IDB Working Paper No. 238). https://doi.org/10.2139/ssrn.1815920

Sturgeon, T. J., & Kawakami, M. (2010). *Global value chains in the electronics industry: Was the crisis a window of opportunity for developing countries?* (Policy Research Working Paper 5417). World Bank. https://doi.org/10.1596/1813-9450-5417

The White House. (2025, February 11). *Fact sheet: President Donald J. Trump restores Section 232 Tariffs*. The White House. Whitehouse.gov: https://www.whitehouse.gov/fact-sheets/2025/02/fact-sheet-president-donald-j-trump-restores-section-232-tariffs/

UNCTAD (United Nations Trade and Development). 2025. Standard International Classification (SITC) Revision 3. https://unctadstat.unctad.org/EN/Classifications/DimSitcRev3Products_Official_Hierarchy.pdf

Utar, H., Torres Ruiz, L. B., & Zurita, A. C. (2023). The US-China trade war and the relocation of global value chains to Mexico (CESifo Working Paper No. 10638). *SSRN Electronic Journal*. https://doi.org/10.2139/ssrn.4568757

Viner, J. (2014). *The customs union issue*. Oxford University Press.

Wuttke, T. (2022). Global value chains and local inter-industry linkages: South Africa's participation in the automotive GVC. *The Journal of Development Studies*, *59*(2), 153-169. https://doi.org/10.1080/00220388.2022.2110491

Yeats, A. J. (1998). Does Mercosur's trade performance raise concerns about the effects of regional trade arrangements? *The World Bank Economic Review*, *12*(1), 1-28. https://ssrn.com/abstract=620545

Yilmazkuday, H. (2025). *Geopolitical tensions and trade: Mitigating through partner diversification*. Elsevier BV. https://doi.org/10.2139/ssrn.5264027

Appendix

Appendix A: Mexico's export products most exposed to US tariffs

Description	HS22	Export value (million USD)	Product share in total exports (%)	US market concentration (%)
Air conditioning machines: with motor driven fan and elements for temperature control, parts thereof	841590	5,128.4	0.9	95.8
Trailers and semi-trailers: (other than tanker type)	871639	3,736.0	0.6	93.9
Petroleum oils and oils from bituminous minerals, not crude	271000	4,939.6	0.8	93.7
Vegetables: tomatoes, fresh or chilled	070200	3,071.7	0.5	92.2
Beer: made from malt	220300	6,316.5	1.0	91.8
Insulated electric conductors: ignition wiring sets and other wiring sets of a kind used in vehicles, aircraft or ships	854430	11,194.9	1.9	91.7
Vehicles: parts and access-ories, of bodies, other than safety seat belts	870829	8,943.7	1.5	90.1
Seats: parts, (of other than wood) for use in the assembly of motor vehicles	940199	7,441.9	1.2	89.1
Vehicle parts and accessories: n.e.c. in heading no. 8708	870899	7,335.7	1.2	88.6
Refrigerators and freezers: combined refrigerator-freezers, fitted with separate external doors	841810	4,715.8	0.8	88.4
Tractors: road tractors for semi-trailers	870121	13,450.1	2.2	88.4
Units of automatic data processing machines	847150	27,971.0	4.6	88.3
Electrical machines and apparatus: having individual functions	854370	4,459.7	0.7	88.1
Vehicles: with only spark-ignition internal com-bustion piston engine, for transport of goods	870431	22,626.8	3.8	87.7

Description	HS22	Export value (million USD)	Product share in total exports (%)	US market concentration (%)
Vehicle parts: brakes, servo-brakes and parts thereof	870830	3,765.5	0.6	87.5
Electrical static converters	850440	3,148.9	0.5	86.9
Vehicle parts: steering wheels, steering columns and steering boxes: parts thereof	870894	3,523.8	0.6	86.8
Reception apparatus for television	852872	10,829.4	1.8	84.9
Fruit, edible: avocados, fresh or dried	080440	3,305.4	0.5	84.3
Boards, panels, consoles, desks and other bases: for electric control	853710	9,164.9	1.5	84.3
Vehicle parts: drive-axles with differential	870850	2,817.3	0.5	84.2
Engines: reciprocating piston engines	840734	3,980.9	0.7	82.3
Spirits, liqueurs and other spirituous beverages	220890	5,767.9	1.0	82.2
Lighting or visual signalling equipment	851220	2,933.7	0.5	82.0
Vehicles: with only spark-ignition internal combustion piston engine, cylinder capacity over 1000 but not over 1500cc	870322	14,304.1	2.4	79.5
Vehicles: with only spark-ignition internal combustion reciprocating piston engine, cylinder capacity over 1500 but not over 3000cc	870323	31,882.4	5.3	78.1
Vehicles: with only compression-ignition internal combustion piston engine, for transport of goods	870422	3,135.2	0.5	76.5
Vehicle parts: gear boxes and parts thereof	870840	5,457.0	0.9	73.3
Engines: parts, suitable for use solely or principally with spark-ignition internal combustion piston engines	840991	3,950.7	0.7	73.2
Medical, surgical instruments and	901839	4,366.8	0.7	68.3

Description	HS22	Export value (million USD)	Product share in total exports (%)	US market concentration (%)
appliances: catheters, cannulae and the like				
Medical, surgical or dental instruments and appliances	901890	10,743.6	1.8	68.1
Vehicles: with only electric motor for propulsion	870380	5,563.1	0.9	67.4
Communication apparatus: machines for the reception, conversion and transmission	851762	13,133.4	2.2	64.0
Oils: petroleum oils and oils obtained from bituminous minerals, crude	270900	32,192.2	5.3	63.2
Metals: gold, non-monetary, unwrought	710812	4,590.1	0.8	47.8
Copper ores and concentrates	260300	3,201.4	0.5	0

Source: Authors. Based on data from Gaulier and Zignano (2010).

Appendix B: Main export products from the US to China (million USD)

Description	US	Argentina	Brazil	Chile	Colombia	Mexico
Soya beans: other than seed, whether or not broken	15,179.2	1,244.7	38,917.1			
Oils: petroleum oils and oils obtained from bituminous minerals, crude	12,625.6	179	19,777.3	1,067.3	895.8	
Vehicles: spark-ignition engine, 1500-3000cc	4,624.4					278.7
Medicaments: mixed or unmixed for therapeutic uses	3,449					
Electronic integrated circuits: processors/controllers	2,857					66.9
Aeroplanes and other aircraft, >15,000kg	2,567.7					
Copper: waste and scrap	2,174.7	79.1	88.5	158.3		314.9
Electronic integrated circuits: n.e.c.	2,092					317.1
Cereals: maize (corn), other than seed	1,770.8		3,646.3			
Medical, surgical or dental instruments	1,617.8					950.1
Cotton: not carded or combed	1,577.8		1,498.8			54.1
Wood pulp: semi-bleached/bleached, coniferous wood	1,170.7			59.4		867.4
Cereals: grain sorghum	1,148.4		279.3			
Copper ores and concentrates	1,135.6	538.6	17,454.4		56.5	2,883.2
Coal: bituminous	1,130.7				458.5	
Ethylene polymers: copolymers, <0.94g/cm³	1,105					
Meat: of bovine animals, frozen	1,012.2	1,912.5	5,734.5			

Description	US	Argentina	Brazil	Chile	Colombia	Mexico
Medical instruments: catheters, cannulae etc.	917.2					270.4
Petroleum coke: not calcined	794.7	145.8	221		89.5	
Ethylene polymers: polyethylene ≥0.94g/cm³	758.5					
Offal, edible: of swine, frozen	711.5		59.6			75
Ethylene polymers: polyethylene <0.94g/cm³	706.9					
Fowls: frozen cuts and offal	701.7		89.1			1,608.6
Aircraft parts	660.7					
Machines/apparatus of heading 8486: parts	649					
Valves, taps etc. for pipes and tanks	525.9					
Vehicles: spark-ignition engine, >3000cc	525.2					
Plastic articles n.e.c.	510.7					50.8
Hides and skins: raw, bovine or equine	508					76.8
Chemical mixtures/preparations n.e.c.	500.8					

Source: Authors. Based on data from Gaulier and Zignano (2010). For clarity, only data above 5 million USD are displayed. An extended version of the table is available in the appendix online.