FLASH REPORT

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The U.S. - Brazil Tariff War

Effects On The Strategic Supply Chain

The recent confirmation by the USTR (United States Trade Representative) of a new 25% tariff on Brazilian products marks an expansion in the scope of the trade war between the United States and Brazil. For executives operating in Latin America, the immediate priority is now to shield their local operations against the imminent retaliation from the Brazilian government, which could drastically increase the cost of importing essential inputs.

The context

In mid-2025, the United States included Brazil in a broad wave of tariffs, justified by historical protectionist practices that allegedly restricted market access for American exporters. Subsequently, an investigation under Section 301 of the Trade Act of 1974 was launched in the U.S.

More recently, on July 15, 2026, the USTR endorsed the investigation's findings and applied **an additional 25% tariff on a new list of products**, targeting specific sectors such as fuels (fuel oil, gasoline, and ethanol), agricultural equipment, and aluminum sheets.

What Has Changed in Pratice?

The primary impact is the **asymmetrical cost increase in the export logistics chain to the U.S.**, altering the contribution margin of the taxed products. This tends to force cost pass-throughs, raising the final product price for the end consumer and shattering revenue forecasts for vital agribusiness and energy sectors.

Another considerable impact is that **Brazil loses traction as an attractive hub for multinationals using the country as a production base** and subsidiary export channel to the North American market. In short, producing here to sell to the U.S. has become more expensive.

Why This Matters for Operations in Brazil?

There are associated risks in this scenario that must not be overlooked. One of them is the potential Brazilian response, backed by the "Law of Reciprocity."

That is, in this trade war, **the Brazilian government is also considering reacting by applying tariffs to imported American products**. It must be considered that Brazil lacks self-sufficiency in critical industries, such as technology hardware, software, and fine chemicals.

One of Brazil's few commercial advantages is agribusiness.

Therefore, if Brazil imposes surtaxes on these American inputs, multinationals operating domestically in Brazil will suffer a double shock: they will lose export competitiveness and have their local production costs inflated by overvalued foreign inputs.

Key Question for Companies

In this context, there are questions that can serve as excellent catalysts for reflection and management insights:

- Does your risk matrix assess the impact of relying on the American trade axis for export or input importation?
- If logistical triangulation via neighboring routes or factory relocation is being considered as an option, have transfer costs and the impacts of complex rules of origin been measured for decision-making?
- With the U.S. narrowing the entry for certain products, is your operation prepared to shift its destination route to other partners, who may demand discounts on surplus volumes?

Recommended Immediate Actions

For executives facing this surtax scenario, H7 Advisors recommends three immediate actions:

- **Deep tariff audit**: Immediately engage customs clearance and tax intelligence sectors to map the portfolio's exact exposure to the new USTR list. Do not assume generic impacts, as taxation is specific by product code (list available in the USTR report).
- **Supplier audit and diversification**: Map the critical supply chain and vet suppliers outside the U.S.-Brazil axis to ensure redundancy in technological and chemical inputs against potential Brazilian retaliations.
- **Contract review and financial hedging**: Engage the legal and financial departments to review force majeure clauses and renegotiate prices in active export contracts, as well as structure foreign exchange protections (hedging) to withstand imminent volatility.

Conclusion

The dependence on traditional trade routes, whether between Brazil and the U.S. or Europe and Asia, is a high-risk liability that can affect the business continuity of those who rely on them.

Increasingly, the scenario requires corporations to replace emotional reactions with practical intelligence, maintaining a long-term vision, technical balance, and absolute compliance.

Supply chain diversification and protection against the crossfire of local retaliations are no longer optional; they have become the new pillars of operational survival in Latin America and worldwide.

To navigate this landscape of rate volatility without suffering from complete unpredictability, your business needs in-depth ecosystem intelligence. Connect with the H7 Advisors to map your structural exposure and ensure your corporate architecture remains operational under any circumstances.

ABOUT H7 ADVISORS

H7 Advisors is a strategic advisory firm specializing in protecting critical infrastructure and complex operations across Latin America. We architect secure corporate frameworks, enabling global capital to operate safely in highly volatile jurisdictions.

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