A DAILY PUBLICATION

THE DIALOGUE

Latin America Advisor

www.thedialogue.org

Tuesday, March 4, 2025

BOARD OF ADVISORS

Merike Blofield
Professor of Political Science,
University of Hamburg

Joyce Chang
Global Head of Research,
JPMorgan Chase & Co.

Peter Hakim
President Emeritus,
Inter-American Dialogue

Donna Hrinak
Former Senior Vice President,
Royal Caribbean Group

Jon E. Huenemann
Council Member,
GLG Inc.

James R. Jones
Chairman,
Monarch Global Strategies

Craig A. Kelly
Senior Director, Int'l Gov't Relations,
Exxon Mobil

Barbara Kotschwar
Professor of Political Economy,
Georgetown University

John Maisto
Director,
U.S. Education Finance Group

Nicolás Mariscal
Chairman,
Grupo Marhnos

Thomas F. McLarty III
Chairman,
McLarty Associates

Beatrice Rangel
Director,
AMLA Consulting LLC

Ernesto Revilla
Head of Latin American
Economics, Citi

Gustavo Roosen
President,
IESA

Andrés Rozental
President,
Rozental & Asociados

Shelly Shetty
Managing Director,
Sovereigns Fitch Ratings

FEATURED Q&A

What is China's Role in a Shifting Geopolitical Reality?

Chinese diplomats have recently said that China seeks to maintain stable relations with Latin America amid ongoing geopolitical unrest. Peru's Port of Chancay, which is owned by Chinese shipping firm COSCO, is pictured. // File Photo: rjankovsky via Adobe Stock.

Q China will always be a "trustworthy" partner to Latin America, Chinese Foreign Minister Wang Yi said Feb. 18 during a United Nations meeting, according to China's foreign ministry. Wang's statement came amid growing pressure from U.S. President Donald Trump on Latin American countries, including Panama, whose ties to China Trump has criticized. What will Trump's policies mean for Chinese investment and influence in Latin America? How will China seek to increase its influence in Latin America in the coming months and years, and how is Trump likely to react? What relative advantages do the United States and China offer to Latin American countries?

A Margaret Myers, managing director of the Institute for America, China and the Future of Global Affairs at the Johns Hopkins School of Advanced International Studies and senior advisor at the Asia & Latin America Program of the Inter-American Dialogue: "China is positioning itself as a viable alternative to U.S. partnerships within the Latin American region. This is not a new strategy. It is something that China has attempted for many years amid shifts in U.S. policy. As the United States has looked increasingly inward in recent years, China has claimed to embrace multilateralism. When climate declines in importance on the U.S. foreign policy agenda, China amplifies its climate-related messaging in Latin America and other regions. In other words, China's messaging in the region has been shaped, at least in part, by developments in U.S. policy. In practice, China continues to engage with Latin America for largely the same reasons that

Continued on page 3

TODAY'S NEWS

POLITICAL

SCOTUS to Hear Gun Companies' Appeal to Suit

The U.S. Supreme Court will hear two arms manufacturers' appeal to a lawsuit from the Mexican government alleging they knowingly profited from arms trafficking.

Page 3

ECONOMIC

Chilean GDP Grew 0.4% Last Month

Economic activity in Chile grew by 0.4 percent between December and January, marking the country's fourth consecutive month of positive GDP growth.

Page 2

ECONOMIC

U.S. Tariffs on Mexico, Canada Take Effect

U.S. President Donald Trump today went through with his pledge to slap tariffs on the United States' largest trading partners. Trump imposed duties of 25 percent for all goods from Mexico, 25 percent for Canadian goods with a 10 percent carve-out for energy products, and an additional 10 percent on Chinese goods.

Page 2

Trump // File Photo: White House.

COPYRIGHT © 2025, INTER-AMERICAN DIALOGUE

ECONOMIC NEWS

Trump Imposes New Tariffs for Mexico, Canada and China

The administration of U.S. President Donald Trump early this morning placed tariffs on the United States' three largest trading partners, slapping a 25 percent fee on all trade goods from Mexico and Canada—with a 10 percent carve-out for Canadian energy products—and raised cross-board tariffs on China from 10 to 20 percent, The New York Times reported. Canada's government immediately responded by imposing a retaliatory 25 percent fee on imported goods from the United States, BBC News reported. Canadian Prime Minister Justin Trudeau said in a statement that there is "no justification" for U.S. tariffs on Canadian goods, saying less than 1 percent of fentanyl

Beginning today, the United States will charge a 25 percent duty on all imports from Mexico and most from Canada, as well as a 20 percent tariff on all Chinese goods.

seized by U.S. border authorities comes from Canada, BBC News reported. Trump has argued that tariffs are needed to coerce the Canadian and Mexican governments to enhance their border control measures. Mexican President Claudia Sheinbaum said at a press conference this morning that her government will respond to U.S. tariffs with "tariff and non-tariff measures," Reuters reported. Sheinbaum echoed Trudeau's claim that the U.S. tariffs lacked justification, arguing that her government has already increased its anti-drug trafficking efforts in recent months. China's government has responded, however, today announcing a new tariff of 15 percent on all U.S. agricultural products and outlawing Chinese companies' exports to certain U.S. defense contractors, Bloomberg News reported. The effective tariff level for U.S. imports of Chinese products is now around two times larger than that which Trump imposed during his first term in office, Reuters reported. "Retaliatory tariffs would have dire consequences," Nicolás Mariscal, member of the Advisor board and chairman of Grupo Marhnos in Mexico City, told the Advisor in a **Q&A** on the future of free trade in North America published Dec. 13. "If Trump's tariffs are carried out, they would increase the average American's household expenses by $2,600 a year," Mariscal added, citing a study from the Peterson Institute for International Economics. Canada, Mexico and China each hold top-three spots in terms of U.S. annual import and export value by destination, according to the Observatory of Economic Complexity.

Chilean Economy Continues Monthly Streak of Growth

Chile's economy grew by 0.4 percent between December and January, beating analysts' expectations, according to data released on Monday by the country's central bank. The Imacec index, a proxy measure for gross domestic product, grew by 2.5 percent year-over-year in January. The data release marks the fourth consecutive month of positive economic growth for Chile, which is the longest such streak since mid-2021, Bloomberg News reported. The non-mining sectors of Chile's economy grew by 1.4 month-over-month and 2.9 percent year-over-year in January, according to the central bank. The mining sector contracted by 6.1 percent between December and January, corresponding with a 2.1 percent annualized drop in copper production in the month. Chile's copper mines paused operations last week when a transmission line failure caused a nationwide blackout on Feb. 25, Bloomberg News reported. Boric's approval rating remained unchanged at 31 percent after the blackout, according to a survey released on Sunday by pollster Activa. More than two-thirds

NEWS BRIEFS

Mexican Peso Continues Slide After Trump Imposes Tariffs

Mexico's peso fell for a fourth consecutive day and dropped to its lowest level since mid-2022 after President Donald Trump's 25 percent tariffs on imports went into effect today, Reuters reported. Amidst tense U.S. trade relations and domestic political turmoil, the peso is down 22 percent relative to last April. The longer the American tariffs are in effect, the more likely the country's economy is to fall into a recession, MUFG analyst Lee Hardman told Reuters.

OPEC+ to Increase Crude Oil Output by 2.2 Million Barrels Per Day

The OPEC+ group of nations plans to boost crude oil output by 2.2 million barrels per day across eight of its members by June 2026, the organization announced in a statement Monday. Brazil, which formally joined OPEC+ last month, was not listed as one of the countries designated to increase its oil output; Energy Minister Alexandre Silveira has said that Brazil will not be subject to production quotas under the terms of their membership, Bloomberg News reported. Brent crude oil prices fell by around 3 percent on Monday, reaching a three-month low of $71 per barrel.

China Halts Beef Imports From Three Brazilian, Two Argentine Firms

China's customs authority on Monday decided to pause imports of beef from seven firms, including five located in South America, amid oversupply, Reuters reported. Two Argentina-based meat exporters and three Brazilian exporters, including meatpacking major JBS, are now temporarily barred from the Chinese market. JBS declined to comment on the matter in a statement to Reuters.

COPYRIGHT © 2025, INTER-AMERICAN DIALOGUE

of poll participants said that private electrical companies were primarily responsible for the power outage.

POLITICAL NEWS

Supreme Court to Hear Appeals in Mexican Gun Case

The U.S. Supreme Court is expected to hear today the appeals of two American gun companies to dismiss a lawsuit filed by the Mexican government, Reuters reported. The lawsuit accuses the firearms maker Smith & Wesson and distributor Interstate Arms of contributing to illegal firearms trafficking to drug cartels and fueling gun violence in the country. Mexico's suit may qualify for dismissal under a 2005 federal law called the Protection of Lawful Commerce in Arms Act, Reuters reported. The act protects gun companies from the consequences of the crimes committed using their products. However, a lower court previously found that the alleged conduct of Smith & Wesson and Interstate Arms falls outside the protections laid out by the act, according to the wire service. The Mexican government's lawsuit, which was filed in 2021 in Boston, alleges that American arms companies deliberately maintained a distribution system and that firearm dealers were aware that the weapons were being sold to third-party purchasers who then trafficked the guns to cartels in Mexico, Reuters reported. The Mexican government also accuses the companies of associating their products with the American military and law enforcement, marketing their guns as military-grade weapons to attract cartels. Smith & Wesson and Interstate Arms defend that they have done nothing out of the ordinary and follow every applicable law. "Every business knows its products may be misused—even criminally so—by customers downstream," lawyers for the companies wrote in a Supreme Court brief, Reuters reported. "But such knowledge has never been enough to generate criminal liability, lest the entire economy grind to a halt."

FEATURED Q&A / Continued from page 1

it has for decades. Resource-seeking and market-seeking activity still account for the vast majority of China's engagement with the region. Latin American markets have grown in importance to Chinese suppliers of late as other regions place restrictions on Chinese high-tech and other exports. China remains interested in partnership with the region, though with these objectives top of mind. Whether China is judged by Latin Americans to be trustworthy or not, its interests, like those of other nations, are mostly transactional, and Chinese officials are resolute in their pursuit of both economic and political objectives in the region, leaving little room for pushback on issues of political importance to Beijing. With U.S. policy in flux, Latin American nations will increasingly find themselves gauging the relative interests and trustworthiness of both the United States and China, and weighing the relative value of these partnerships."

Ryan Berg, director of the Americas Program at the Center for Strategic & International Studies: "As under past U.S. presidents, China will present itself as a 'trustworthy' and 'neutral' partner for Latin America. The Trump administration's desire to establish red lines for Chinese activity could be a welcome development for many Latin American countries, which are sometimes left confused and guessing about how their relationship with Beijing might affect their relationship with Washington. Naturally, China will portray these efforts as intervention or 'neo-colonialism' in order to score political points. There is an emerging narrative that argues the Trump administration's approach to Latin America will permit China to accrue greater influence by presenting itself as a more reliable partner; however, this is by no means inevitable. As the administration reimagines foreign assistance through reauthorizing the U.S. Development Finance Corporation, examines the potential for a sovereign wealth fund and maintains a laser focus on certain strategic sectors, there could be plenty of opportunities for greater U.S. private sector engagement. Moreover, given China's own domestic headwinds and economic limitations, Beijing's influence game could play out predominantly in the information space, as the Belt and Road Initiative continues but lacks robust funding levels. Further, many Latin American countries are familiar with the BRI's most cautionary tales, including a bevy of instances of shoddy construction, environmental damage and labor rights abuses in the region. Already, China has started to taper its regional engagement, leveraging state-owned enterprises as the BRI—to put it in Xi Jinping's words—morphs to become 'small and beautiful,' leaving strategic voids the United States could fill."

Jorge Heine, research professor at the Pardee School of Global Studies at Boston University and former Chilean ambassador to China: "In his first term, President Trump himself showed scant interest in Latin America, visiting the region only once—for the G20 summit in Buenos Aires in 2018. Yet, his government undertook an offensive to weaken the region's ties with China, which largely backfired. Between 2017 and 2020, three countries in the region—Panama, El Salvador and the Dominican Republic—broke with Taiwan and established diplomatic relations with China. Many countries signed on to China's Belt and Road Initiative. Sino-Latin America trade and investment continued to boom (at least until the pandemic hit in 2020), and in 2019, China became the leading country originating foreign direct investment to Chile. In his second term, as Mr. Trump is embracing protectionism, and his policies take direct aim at Latin America, through mass deportations, the threat of 25 percent tariffs on Mexico and of 'taking back' the Panama Canal, as well as of possible tariffs on copper—Chile and Peru's main export product. These policies

Continued on page 4

COPYRIGHT © 2025, INTER-AMERICAN DIALOGUE

FEATURED Q&A / Continued from page 3

are likely to backfire as well. China portrays itself as a dependable business partner and a champion of free trade, incapable of such unpredictable behavior. Colombia, traditionally known as the United States' best friend in Latin America, may soon join BRI, and it has expressed interest in associating itself with the BRICS. Honduras is in the final stages of negotiating a free trade agreement with China. Argentina backtracked from President Milei's original anti-China stance and now voices its admiration for China. As the United States circles the wagons, the allure of the former Celestial Empire, already South America's number one trading partner, and a country ready to do business, will grow stronger, not weaker."

Gary Clyde Hufbauer, senior fellow at the Peterson Institute for International Economics: "Latin America has become a happy hunting ground for Chinese interests. Both Chinese and U.S. policies are responsible. Through the Belt and Road Initiative and the Asian Infrastructure Investment Bank, China lends large sums for Latin American infrastructure. As the world's largest trading partner, China offers a huge market with low tariffs for Latin American exports. China does not publicly complain about Latin American import barriers. By contrast, U.S. policies have a hostile edge. Washington threatens high tariffs, either because Latin America exports 'strategic' goods to the U.S. market, or because Latin American tariffs on select U.S. exports are high, or simply to create U.S. negotiating leverage over individual grievances. The United States deports thousands of Latin American immigrants to their home countries, even people who have lived peaceful and productive lives in the United States for decades. U.S. aid programs have been halted, and the United States offers little public financing for large infrastructure projects. Finally, the United States is demanding that Panama return its canal to U.S. control. It remains to be seen whether these contrasting facts on the ground will ripen into strong Latin American alliances with China. Probably the best Washington can hope is that most Latin American countries will seek a balance between Chinese and U.S. interests."

Victoria Chonn Ching, nonresident fellow at the Atlantic Council: "To assume that China will stop investing or trading with Latin American countries given recent U.S. pressures is to mischaracterize complex economic and financial cross-Pacific and global dynamics. One question, however, is what kind of deals and mechanisms China may use to negotiate with its Latin American counterparts as they are pushed to choose between the United States and China. Some Latin American leaders may and will signal the prioritization of their countries' relationship with the United States, as shown during U.S. Secretary of State Marco Rubio's first international visits to Panama and Costa Rica. Other Latin American leaders have been more outspoken in asserting their states' sovereignty and how they are engaging with different key partners. That is, while the renewed U.S. interest in Latin America is welcome, there is also wariness. Moreover, there is also variation in the areas in which Latin American countries engage more with China such that lessening interactions may represent a manageable loss. This means that, as the United States re-engages with the region, China may pay more attention to how it presents itself as a reliable and stable partner, which is also something Latin American countries are seeking as they balance the pursuit of their own interests with finding opportunities in the context of U.S.-China competition."

The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta.

LATIN AMERICA ADVISOR
is published every business day by the Inter-American Dialogue ISSN 2163-7962

Gene Kuleta
Editor

Jack Quinn
Reporter

Lori Rampani
Reporter

THEDIALOGUE

Rebecca Bill Chavez, Ph.D., President & CEO
Alfonso Blanco, Director, Energy Transition & Climate Program
Margaret Myers, Senior Advisor, Asia & Latin America Program
Manuel Orozco, Director, Migration, Remittances and Development Program
Tamara Taraciuk Broner, Director, Peter D. Bell Rule of Law Program
Lydia Maria Dibos, Director of Development
Leonardo Beltran, Nonresident Senior Fellow
Bruno Binetti, Nonresident Fellow
Sergio Bitar, Nonresident Senior Fellow
Álvaro Botero, Nonresident Senior Fellow
Irene Cañas, Nonresident Senior Fellow
Santiago Cantón, Nonresident Senior Fellow
Kevin Casas-Zamora, Nonresident Senior Fellow
Alejandra Cortázar, Nonresident Senior Fellow
Peter Hakim, President Emeritus & Senior Fellow
Eric Jacobstein, Nonresident Senior Fellow
Edison Lanza, Nonresident Senior Fellow
Nora Lustig, Nonresident Senior Fellow
Jaime Pumarejo, Nonresident Senior Fellow
Jeffrey Puryear, Senior Fellow
Luis A. Rivas, Nonresident Senior Fellow
Jorge Rivera Staff, Nonresident Senior Fellow
Mauricio Roitman, Nonresident Senior Fellow
Adrean Scheid, Nonresident Senior Fellow
Michael Shifter, Senior Fellow
Daniela Stevens, Nonresident Senior Fellow
Antonia Urrejola, Nonresident Senior Fellow
Lisa Viscidi, Nonresident Senior Fellow
Carlos Winograd, Nonresident Senior Fellow

Latin America Advisor is published every business day, except for major U.S. holidays, by the Inter-American Dialogue at
1155 15th Street NW, Suite 800
Washington, DC 20005
www.thedialogue.org

The opinions expressed by the members of the Board of Advisors and by guest commentators do not necessarily represent those of the Inter-American Dialogue. The analysis is the sole view of each commentator and does not necessarily represent the views of their respective employers or firms. The information in this report has been obtained from reliable sources, but neither its accuracy and completeness, nor the opinions based thereon, are guaranteed. If you have any questions relating to the contents of this publication, contact the editorial offices of the Inter-American Dialogue. Contents of this report may not be reproduced, stored in a retrieval system, or transmitted without prior written permission from the Inter-American Dialogue.