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US-Brazil Trade Tensions Rise: Lula's Response to Trump's Protectionist Agenda

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Two Years of Lula: Achievements, Challenges, and the Road to 2026

Lula's Brazil at Midpoint:

Political Shifts, Trade Battles, and the Road to 2026

Headline photo: President of the Chamber of Deputies, Deputy Hugo Motta, President Lula, President of the Federal Senate, Senator Davi Alcolumbre Stuckert/PR

Trump's Trade War: Is Brazil the Next Target?

As Donald Trump begins his second term as US president, his administration has swiftly reignited trade tensions with Latin America, particularly with Mexico, Canada, and China. With new tariffs of 25% on Mexican and Canadian imports and 10% on Chinese goods, the world braces for another wave of protectionism under the "America First" doctrine. However, in a significant diplomatic turn, Mexico and Canada have successfully renegotiated with the US, securing a temporary suspension of tariffs in exchange for increased border security commitments. Meanwhile, the European Union has entered negotiations with Washington, and China has responded with counter-tariffs.

For Brazil, President Lula has made it clear that any escalation from Washington will be met with reciprocation, signaling a potentially turbulent trade relationship between the two largest economies in the Americas. Although Brazil has not yet been directly impacted by the new tariffs, recent developments confirm that the Trump administration is targeting Brazilian exports. On February 9, Trump announced a 25% tariff on all steel and aluminum imports, with implementation set for March. The measure has sparked immediate concern within Brazil's government and industrial sectors.

Trump's Protectionist Turn: Latin America in the Crosshairs

The tariffs mark the most aggressive protectionist move by the US since Trump's first presidency. Just as Mexico and Canada scrambled to negotiate adjustments, Brazil now finds itself in a precarious position. The steel and aluminum industries which were targeted during Trump's first term, in 2019, but later saw a rollback after negotiations, are once again in the spotlight. Last year, Brazil exported approximately four million tons of steel to the US, accounting for 15.5% of total American steel imports and second only to Canada.

Trump's rhetoric and policies reflect a broader trend toward economic nationalism, in which his administration has already hinted at the possibility of imposing tariffs of up to 100% on imports from BRICS nations, including Brazil. In his inauguration speech, Trump declared, "Latin America and Brazil need us much more than we need them," a phrase that signals a transactional and unilateral approach to diplomacy.

Lula's Response: Reciprocity and Resistance

President Lula has been clear that Brazil will not passively accept trade restrictions. "If Trump taxes Brazilian products, we will tax American products," he stated in a press briefing. However, his administration has also opted for a cautious approach, prioritizing diplomatic engagement over immediate retaliation. The Brazilian government is seeking to negotiate with Washington before implementing countermeasures, reflecting an awareness of the economic risks of a full-scale trade war.

Brazilian Foreign Minister Mauro Vieira met with his trade team on February 11 to assess the situation, while

Headline Photo: President Donald Trump & President Lula
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Vice President and Minister of Development, Industry, and Commerce Geraldo Alckmin has been gathering information to present potential solutions to Lula. The government has yet to announce specific retaliatory measures but is expected to continue monitoring the situation closely in the coming weeks.

Amid these concerns, Lula has been consulting with other world leaders, including Vladimir Putin, Gabriel Boric, and Claudia Sheinbaum, in an effort to coordinate a regional response to Trump's economic measures. The Itamaraty, Brazil's Ministry of Foreign Affairs, has also engaged in diplomatic efforts to establish dialogue with Washington. Sheinbaum, in particular, has emphasized the need for Latin American unity in facing the challenges posed by Trump's policies.

Meanwhile, uncertainty surrounding Trump's policies has already caused fluctuations in global markets. The US dollar has surged amid fears of increased tariffs, impacting inflation and interest rates in Brazil. Investors seeking safe assets have driven the Brazilian *real* to weaken against the dollar, further complicating Brazil's economic outlook.

Brazil also faces long-standing trade barriers in the US market. Brazilian beef exports to the US are subject to a 26% tariff once they exceed 65,000 metric tons annually, a threshold surpassed in 2024 when Brazil exported 230,000 metric tons. Other major Brazilian exports, such as sugar and orange juice, also face prohibitive tariffs, discouraging sales to the US market. These persistent trade barriers raise concerns that Brazil could be targeted in future tariff expansions by the Trump administration.

"What I want is to improve our relationship with the United States, export more if necessary, import more if necessary, and maintain our relationship, which has lasted 200 years."

President Lula during a press conference at the Palácio do Planalto on January 30

Additionally, Lula has been vocal in his criticism of Trump's broader foreign policy. He has denounced Trump's rhetoric on annexing territories like Greenland and his hardline stance on Israel's role in Gaza. Lula described Trump's position on the Israeli-Palestinian conflict as "practically incomprehensible" and argued that the reconstruction of Gaza should be led by Palestinians rather than the US. He went further, labeling the recent violence in Gaza as "genocide" and criticizing the US for its involvement. Lula has also accused Trump of conducting a campaign based on "bravado and division," arguing that global diplomacy should prioritize mutual respect and multilateralism.

The Bigger Picture: A Shifting Global Trade Order

Beyond Brazil, Trump's economic policies are reshaping Latin America's strategic calculations. With Mexico and Canada securing temporary tariff suspensions through negotiations, other nations are watching closely. China, a frequent target of US tariffs, has implemented retaliatory measures ranging from 10% to 15% on US imports. Meanwhile, the European Union has initiated talks with Washington to prevent a similar trade confrontation.

For Brazil, the prospect of US tariffs accelerates efforts to finalize trade agreements with the EU and Mercosur partners. The government is also exploring closer integration with Asian economies to counterbalance a potential economic slowdown from restricted US market access.

President Lula during a meeting with the presidents of Colombia, Gustavo Petro; Chile, Gabriel Boric; and Mexico, Claudia Sheinbaum, on November 18, 2024, during the G20 Summit in Brazil.
Regional economic integration is one of the strategies being explored by Latin American leaders to shield their economies from potential aggressive tariffs under the new Trump administration.
Photo: Ricardo Stuckert/PR

Outlook for US-Brazil Relations: Confrontation or Coexistence?

While tensions loom, both countries have incentives to avoid an all-out trade war. Brazil claims that its commodities remain essential to US supply chains, and American investments in Brazil continue to grow. At the same time, Trump's hardline stance on immigration and border security could push Latin American leaders to adopt a more unified diplomatic front, forcing Washington to engage in broader negotiations.

Recent developments suggest that Trump's tariffs may be used as leverage rather than as a definitive policy. The temporary suspension of tariffs on Mexico and Canada, in exchange for border security commitments, highlights Trump's transactional approach. And Brazil could be next in line for similar negotiations, potentially forcing concessions on trade or diplomatic alignment.

Ultimately, Brazil's response to Trump's policies will hinge on its ability to navigate the complex landscape of global trade while protecting its domestic industries. Whether through confrontation or strategic cooperation, Lula's administration faces a delicate balancing act as it defines Brazil's economic future amid a rapidly changing international order.

A New Congress, Familiar Challenges: What the Elections in Congress Mean for Brazil and Lula's Government

The Brazilian Congress has undergone a leadership shift, with Hugo Motta (Republicanos/PB) and Davi Alcolumbre (União Brasil/AP) assuming the presidencies of the Chamber of Deputies and the Senate, respectively. Their elections, marked by overwhelming victories without government interference or concern for the administration's stance, signal a more independent Congress willing to push its own agenda. Early indications suggest that Motta and Alcolumbre will prioritize two key issues: control over parliamentary amendments and limiting the influence of the Supreme Federal Court (STF), setting the stage for major legislative battles in 2025.

Beyond institutional shifts, the youthfulness of the new leaders stands out: Motta, at 35, is the youngest president in the Chamber's history. He has already crafted a public persona on social media, establishing a direct line of communication with the public. This approach raises questions about how veteran politicians will adapt to a political landscape increasingly shaped by digital engagement and new leadership styles.

Party Negotiations and Behind-the-Scenes Deals

Hugo Motta, backed by the influential Arthur Lira (PP/AL), secured his election through meticulous coalition-building, bringing together 17 parties, including ideological adversaries like the PT and PL. His ability to unify such a diverse range of political actors reflects a strategic approach that mirrors Lira's tenure, where negotiations over key congressional positions played a decisive role in maintaining legislative control.

To cement his support, Motta gave PL the 1st Vice-Presidency of the Chamber while granting PT the right to nominate the next Minister of the Federal Court of Accounts (*Tribunal de Contas da União, TCU*). The PP, led by Lira, was allocated the 2nd Vice-Presidency, while the Brazilian Democratic movement (MDB) secured the 2nd Secretary post. The leadership of the powerful Constitution and Justice Committee (CCJ) remains a critical piece of the puzzle, with União Brasil expected to initially lead before passing the role to the MDB. Meanwhile, Elmar Nascimento (União Brasil/BA), who withdrew his bid for the Chamber presidency, is negotiating for the coveted budget rapporteur position.

In the Senate, Alcolumbre built a similarly formidable coalition, bringing together PT, PL, União Brasil, and Republicanos, securing 73 votes—well beyond the 41

Headline photo: Hugo Motta and Davi Alcolumbre walk up the ramp along with their staff
Pedro França/Agência Senado

required for victory. His return to the Senate presidency signals a continuation of the *Centrão*'s dominance, albeit with a more assertive and transactional leadership style compared to his predecessor, Rodrigo Pacheco (PSD/MG). However, PL's internal divisions, particularly among Bolsonaro-aligned senators, raise questions about the stability of his support.

What This Means for Lula's Government

Despite initial optimism from the Planalto regarding a more conciliatory tone from the new Chamber leadership, the overall balance of power in Congress remains unfavorable to the government. Lula faces a fragmented, yet assertive, legislature where the *Centrão* wields outsized influence. While Hugo Motta may prove to be less adversarial than Lira, his commitment to congressional independence means that the government will need to engage in significant political bargaining to advance its key proposals.

Davi Alcolumbre, on the other hand, is widely expected to be a more aggressive Senate leader, leveraging his position to extract further concessions from the executive. His presidency coincides with a moment when the Senate will have a crucial role in determining the future of tax reforms, environmental regulations, and key judicial appointments. His alignment with interests linked to agribusiness, mining, and the energy sector signals potential challenges for Lula's environmental agenda.

Arthur Lira (PP/AL), then President of the Chamber of Deputies, Hugo Motta (Republicanos/PB), and Tarcísio de Freitas (Republicanos/SP), Governor of São Paulo, at a Republicanos Party event in São Paulo, celebrating the final stretch of Motta's campaign. The gathering was joined by prominent figures such as São Paulo Mayor Ricardo Nunes (MDB/SP) and party leaders, including PL President Valdemar Costa Neto.
Douglas Gomes/Lid Republicanos

Moreover, Alcolumbre's control over the legislative schedule, particularly regarding presidential vetoes, could complicate Lula's efforts to maintain a cohesive governing strategy. The possibility of Bolsonaro-aligned legislators pushing for an amnesty for those involved in the January 8th insurrection further underscores the Senate's potential role as a battleground for Brazil's democratic stability.

The Policy and Electoral Landscape Ahead

For Lula, the new congressional leadership presents both risks and opportunities. Key economic policies, such as the long-promised income tax reform and further adjustments to the fiscal framework, will require delicate negotiations. While Motta and Alcolumbre are unlikely to actively block the government's initiatives outright, their political price for cooperation will be high, particularly in terms of ministerial appointments and discretionary spending allocations.

The 2026 presidential election also looms over this new congressional arrangement. The *Centrão*, historically pragmatic, is likely to keep its options open, supporting policies that maintain its influence while gauging the evolving political landscape. If Lula's approval ratings continue to decline, as recent polling suggests, the bloc may shift closer to opposition forces, including a potential Jair Bolsonaro comeback or an alternative center-right candidate.

Rodrigo Pacheco (PSD/MG), former President of the Federal Senate, embraces Davi Alcolumbre (União Brasil/AP), the new President of the Senate. Pacheco played a vital role in endorsing Alcolumbre's election to the position.
Pedro Gontijo/Senado Federal

A Test of Political Skill

The elections of Hugo Motta and Davi Alcolumbre reaffirm the strength of the *Centrão* in Brazil's political ecosystem. While the Lula administration may find a more flexible negotiating partner in Motta compared to Arthur Lira, the overarching challenge remains: a Congress that prioritizes its own institutional power over executive initiatives. The coming months will be crucial in determining whether the government can secure meaningful legislative victories or if it will face further gridlock leading into the 2026 electoral cycle.

For Lula, navigating this Congress will require political dexterity, strategic concessions, and a keen ability to manage alliances. If successful, his administration could cement key policy wins; if not, the remaining years of his term could be marked by legislative obstruction and increasing opposition momentum. In a Brazil where political volatility is the norm, the country's immediate future rests heavily on the dynamics unfolding in its legislative halls.

Lula's Half-Term: Achievements, Challenges, and Prospects for the Second Half

As President Lula crosses the midpoint of his current term, his administration finds itself at a crucial juncture. Marked by ambitious social programs, fiscal maneuvering, and an active international agenda, the government has navigated a complex political landscape while laying the groundwork for its long-term vision. However, significant challenges persist, particularly in economic stability, governance, and political opposition. While the administration has promoted its successes, lingering doubts remain over its ability to deliver sustainable growth, control public spending, and navigate an increasingly polarized environment. The second half of Lula's term will determine whether these efforts translate into real progress or fall short of expectations.

Economic Landscape: Balancing Growth and Fiscal Responsibility

Lula's government has sought to reconcile social spending with fiscal prudence, an approach evident in its 2024 fiscal adjustment package, which promised savings of BRL 70 billion over two years. The administration has touted a primary deficit reduction to 0.1%, one of the lowest in a decade, and a substantial fiscal correction recognized by the International Monetary Fund (IMF) as one of the most significant among emerging economies. Despite these efforts, economic challenges remain. Inflation control is a key focus, with the government projecting a steady decline and expecting to meet the 3% inflation target by 2026. Additionally, Lula emphasizes job creation and formalization as pivotal to economic growth. However, external factors such as global commodity prices, trade negotiations, and geopolitical tensions will heavily influence these projections.

Political Climate

The Lula administration has sought to maintain a cooperative relationship with Congress, achieving the passage of key fiscal and tax reform measures. The president himself has lauded the approval of priority projects, citing the executive-legislative partnership as a factor in governance stability. However, opposition forces, particularly those aligned with former President Jair Bolsonaro, remain vocal and obstructive. Recent protests in Congress, where Bolsonaro supporters brandished political slogans and mocked Lula's economic policies, highlight the persistent ideological divide. As the 2026 election approaches, this polarization is likely to intensify, testing the administration's ability to push through reforms and maintain governability.

International Projection: Brazil on the Global Stage

Lula has positioned Brazil as a key player in international diplomacy, securing the country's presidency of the BRICS bloc and preparing to host the COP30 climate summit in 2025. The administration touts the expansion of trade agreements, including the long-negotiated Mercosur-European Union deal, as evidence of Brazil's growing economic and diplomatic influence. Yet, these efforts must translate into tangible benefits for the domestic economy. Increased foreign trade and environmental leadership may bolster Brazil's global standing, but their impact on local industries, job markets, and national development will be the true test of success.

President Lula during a press conference at the Palácio do Planalto
Stuckert/PR

Looking Ahead: The Road to 2026

As Lula enters the second half of his term, his administration faces a dual challenge: consolidating the achievements of the past two years while addressing unresolved economic and political vulnerabilities. The balancing act between social investments and fiscal constraints, managing domestic polarization, and strengthening Brazil's international influence will define the legacy of his third presidency. Yet, questions remain about whether Lula can sustain his agenda without resorting to excessive public spending or political maneuvering that undermines long-term stability. With the 2026 elections already looming, his ability to maintain broad political support, deliver meaningful economic improvements, and uphold his progressive vision will determine not only his own prospects but also the trajectory of Brazilian politics. If his government fails to address fundamental weaknesses, the second half of his term could be far more turbulent than the first.

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