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The Indictment of Jair Bolsonaro and U.S. Tariffs on Brazil

Adam Ratzlaff | September 2025

On September 11, 2025, Brazil's Supreme Court convicted former Brazilian President Jair Bolsonaro and seven co-conspirators of attempting to overthrow Brazil's democracy.[1] The case revealed compelling evidence that Bolsonaro and members of administration had sought to overturn the results on the 2022 Brazilian election and were seeking ways to prevent Luiz Inacio "Lula" da Silva from taking office. Efforts to convict Bolsonaro, a staunch ally of U.S. President Donald Trump, have sparked backlash from the United States with the Trump administration announcing 50% tariffs on the country and individual sanctions on key individuals associated with the process—most notably Brazilian Supreme Court Justice Alexandre de Moraes. The standoff between the United States and Brazil will have important implications for trade and foreign affairs between the two largest economies in the Western Hemisphere as well as for rule of law and political risk in Brazil.

Context

Brazil is the largest country in the Latin America and Caribbean region—geographically, economically, and in terms of population. During the first Trump administration, Donald Trump forged a close relationship with then Brazilian president Jair Bolsonaro administration—a man who earned the title "Trump of the Tropics" during his 2018 presidential campaign.[2] Beyond the parallels between the two presidents, the Trump administration had amicable relations with Brazil during their two tenures. Most notably, in 2019, the Trump administration went as far as to name Brazil as a Major Non-NATO Ally—a designation that allows for closer military cooperation and facilitates arms sales between the two countries.[3] In addition to the political ties that were developed between the Trump and Bolsonaro administrations, the two president's children developed direct ties. Indeed, Jair Bolsonaro's children have regularly engaged with the Trump family and participated in global political events with the broader conservative movement—including CPAC.[4]

In a highly contested election in 2022, Bolsonaro lost his reelection bid to returning leftist President Luiz Inacio "Lula" da Silva.[5] Shortly after Lula assumed office, protestors sought to overturn the elections results, storming federal buildings in Brasilia on January 8th, 2023.[6] While the action was widely condemned and failed, it highlighted the high levels of polarization within Brazilian society.

Since taking office, President Lula has sought a return of Brazil to the international prominence that the country saw during his first tenure as President and actively sought to play a greater role in responding to global crises including the Russian Invasion of Ukraine and Israeli-Palestinian Conflict. For some analysts who played key roles in the first Trump administration, this was viewed as evidence of Lula opposing U.S. interests.[7] However, these actions fit within the broader historical context of Brazilian foreign policy and its efforts to position itself as a negotiator and great power on the international stage.[8]

Since Trump took office in January 2025, the Lula administration has largely sought not to take a confrontational stance vis-à-vis the United States. However, Brazil's membership in BRICS—and the organization's support for de-dollarization—hosting the BRICS Summit in June, efforts to control social media content, and the pending charges against Bolsonaro put Brazil on a collision path with the Trump administration. Things came to a head in July when the Brazilian Supreme Court announced its plans to indict Bolsonaro, the Trump administration responded swiftly announcing ad valorem tariffs of 50% on many Brazilian imports and specific sanctions on key members of the Brazilian judiciary.[9] In September, the judiciary convicted the former president.

Assessment

While pundits in Brazil and beyond have suggested that the rationale for U.S. tariffs on Brazil are due to a myriad of causes—most notably Brazilian involvement in the BRICS and treatment of social media firms—Trump has made clear that the core rationale for tariffs on Brazil is due to Bolsonaro's indictment. This narrows the aperture for finding a resolution to the trade stand-off and highlights a stark challenge for those operating within Brazil and the United States.

There are three key areas that need to be assessed in understanding the implications of the decision to convict Bolsonaro; the impacts on Brazilian democracy and rule of law, Brazil's trade relations, and the U.S.-Brazilian bilateral relationship.

a. Brazilian Democracy and Rule of Law

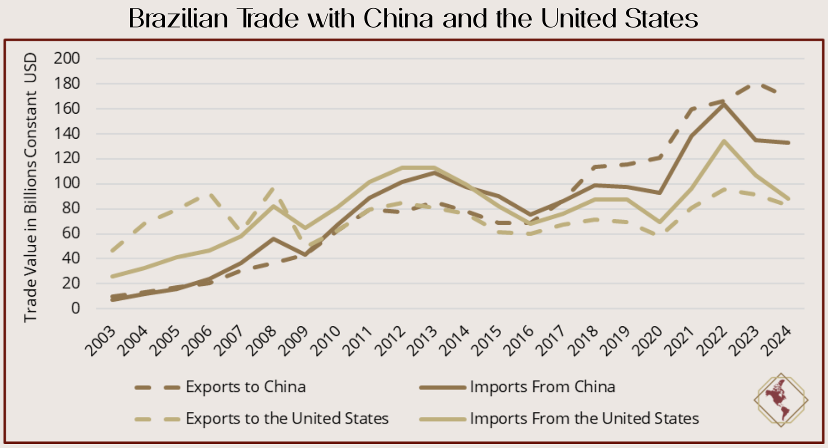
While the conviction of Bolsonaro for his assault on democracy is an important step in ensuring presidential accountability and promoting rule of law in the country, it also runs some potential risks for the future. As this was the first time that such a conviction has occurred, Bolsonaro supporters are claiming that this is political persecution. This runs the risk of further polarizing the Brazilian electorate in the lead up to presidential elections in 2026. This is particularly troubling given rising political polarization in the country which has increased markedly since 2012.[10]

At the same time, public perception over the role of the judiciary in Brazil is mixed. While to opponents of Bolsonaro it is a clear sign of the court's independence, supporters of the former president view this as proof of the politicization of the judiciary—a position that was previously held by Lula's supporters following his conviction for corruption and resulting jail sentence from 2018-2022. While the Brazilian courts remain an important defender of democracy in the country, efforts to ensure that the courts are viewed as impartial are critical to promoting the long-term stability of rule of law in the country.

The conviction is a clear sign of Brazil's commitment to rule of law and defending democracy in the country. However, it may create downstream political risks in the country.

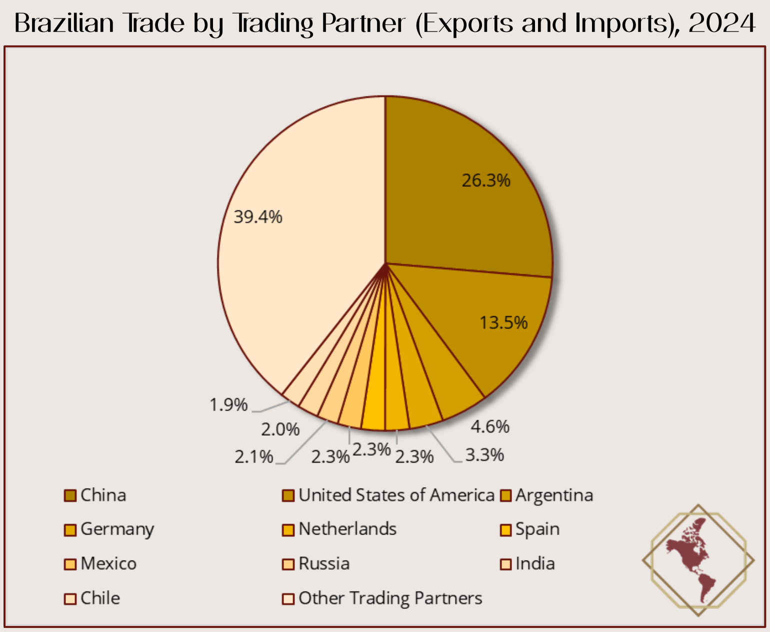
b. Trade Relations

The U.S. response of 50% tariffs on Brazil will have important implications for trade and investment opportunities in Brazil and the Brazilian response could impact U.S. companies that export to Brazil. It is worth noting that the United States ran a $29 billion trade surplus with Brazil in 2024, suggesting that if the Brazilian government responds in kind, there could be important impacts on U.S. exporters.



Source: World Trade Organization, 2025.

While the United States and Brazil have an important trade relationship, it is important to note that there have been important shifts in Brazil's dependency on the United States as a trade partner in recent decades. Since 2009, Brazil's largest trading partner has been China—surpassing trade with the United States. While Chinese trade with Brazil is largely fueled by commodities from Brazil to China, there has been a marked increase in Chinese investment into the country. Additionally, Brazil's trade portfolio is fairly diverse, with only 13.5% of Brazilian total goods trade (exports + imports) being with the United States in 2024.

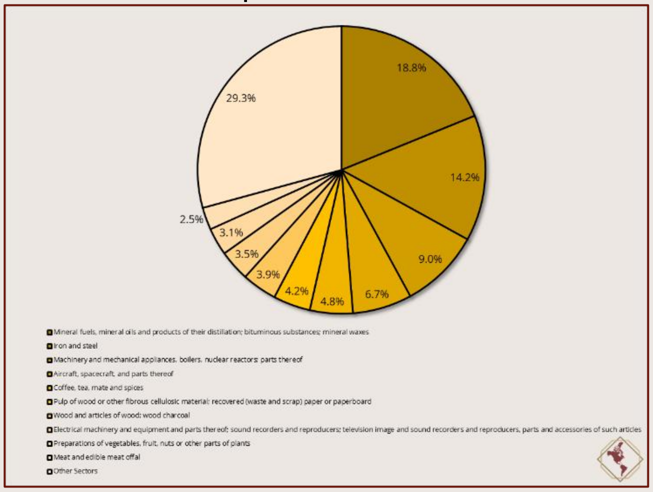


Source: Inter-American Development Bank, 2025. *INTEGRA Database.*

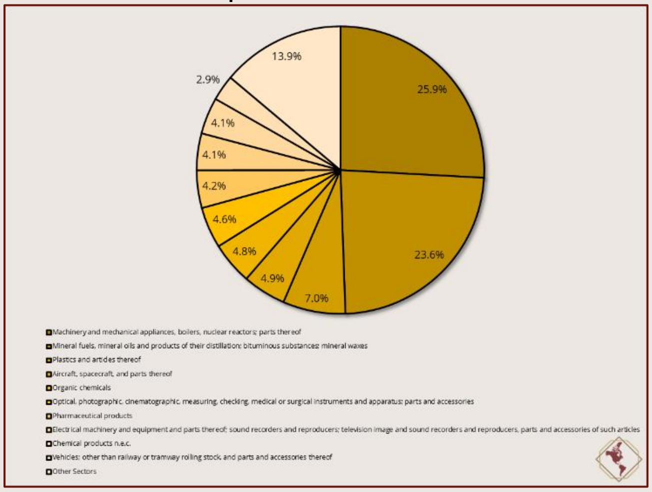
The announced 50% tariffs will impact several key areas of Brazilian exports to the United States, including coffee—where Brazil accounts for nearly 1/3 of U.S. coffee imports—tropical fruits, ethanol, and meat products.[11] There are, however, an array of Brazilian products that are not subject to U.S. tariffs. These include several import sectors in the U.S.-Brazilian trading relationship such as orange juice, crude oil, fertilizers, minerals (including copper and iron), and aircraft.[12] With these exemptions, the Brazilian government estimates that nearly 36% of Brazilian exports to the United States are subject to the 50% tariff rate. While this is a significant portion of Brazilian trade with the United States, these exemptions allow companies some breathing room in their relations with Brazil.

U.S.-Brazilian Trade by Sector, 2024

Brazilian Exports to the United States



Brazilian Imports from the United States



Source: Inter-American Development Bank, 2025. *INTEGRA Database.*

The Brazilian response to U.S. tariffs has been swift. While the Lula administration has sought to negotiate a settlement rather than immediately implementing retaliatory measures,[13] it took actions to soften the blow of U.S. tariffs and prepared response mechanisms. To address the impacts on Brazilian exporters, the Brazilian government launched a $5.5 billion "Sovereign Brazil Plan" an initiative that includes tax deferrals, tax credits, expanded insurance offerings, and increased public procurement for those sectors hardest hit by U.S. tariffs.[14] Brazil also initiated a dispute through the World Trade Organization on August 6.[15] By leveraging international trade frameworks, Brazil hopes to leverage not only its own economy in retaliation, but rely on support from partners to further curtail U.S. trade actions. In addition to these direct responses, Brazil—through the South American Shared Market (MERCOSUR)—has accelerated trade negotiations with several partners, notably restarting trade discussions with Canada in August.[16] While direct retaliation remains a distinct possibility for U.S. exporters to Brazil, the longer-term implications of trade negotiations between Brazil and other countries may pose future challenges for U.S. exporters.

c. U.S.-Brazilian Relations

The United States and Brazil have often had a complicated diplomatic relationship.[17] Brazil has long sought to have a greater role in international affairs and leveraged their position in order to exert greater influence on the international stage. This has included careful management of relationship between great powers and demanding greater influence in global institutions. This strong nationalist strand within Brazil's foreign policy is critical to understanding their responses to the current situation. Given that Lula has seen a boost in his approval ratings as he takes stronger line in response to the Trump administration, we can expect him to dig in on these issues unless the economic situation deteriorates markedly. At the same time, the political rather than economic nature of U.S. demands along with Trump's close relationship with Bolsonaro and condemnations from Rubio[18] suggest that the United States may further escalate pressure on the Brazilian government.

It is unlikely that the dispute between the United States and Brazil will be easily or quickly resolved. Additionally, given that the Trump administration often merges policy domains in their negotiations with countries, we can expect relations between the United States and Brazil to deteriorate in other areas—such as in response to visa requests and immigration, defense and security cooperation, etc.—the longer that the two countries remain at odds.

Challenges and Opportunities

The confrontation between the United States and Brazil poses new challenges for companies operating in Brazil or highly exposed to Brazilian trade. In addition to direct risks to trade, there are additional risks associated with growing political polarization within Brazil, particularly with new presidential elections slated for late 2026. However, despite these risks, Brazil remains an attractive market within the Americas and its diversification of trade partners offers opportunities to leverage investment in Brazil toward engagement in other markets.

a. Challenges

Tariffs likely to Remain in Place for Short to Medium Term: Given the Trump administration's bullish stance on tariffs and the nationalist thread of Brazilian foreign policy, it is unlikely that U.S. tariffs in Brazil are likely to be removed in the short to medium term. Those engaged in trade in Brazil should expect to see these tariffs in place unless a resolution is reached between the Trump administration and the Brazilian right or until elections in these countries occur (2026 for Brazil). However, given the political (rather than security or economic) rationale for the tariffs, companies can expect these tariffs to be reduced when the political situation shifts making long term planning more certain.

Brazilian Response: Brazil's strong nationalist political culture coupled with its desire to play a greater role in global affairs, we can expect Brazil to engage in tit-for-tat responses to U.S. provocations. This provides additional risks and challenges for U.S. companies seeking to export to Brazil.

Growing Political Polarization: The conviction of Jair Bolsonaro will likely continue to exacerbate political polarization and may bolster views that the courts are political in the country. In the long term, this may erode rule of law and lead to greater ideological swings in electoral outcomes. If policies to reduce political polarization and depoliticize the judiciary are not taken, this may lead to future political risks that companies need to take into consideration in their risk portfolios.

b. Opportunities

Brazilian Diversification of Trade Partners: While many Latin American and Caribbean countries are highly vulnerable to U.S. tariffs due to their reliance on U.S. markets, Brazil remains less dependent on the United States. At the same time, countries across the world are seeking to diversify their trade relationships—with many seeing Brazil as a potential partner. While Brazil cannot enter into bilateral trade negotiations due to its membership in the South American Shared Market (MERCOSUR), we are seeing MERCOSUR entering or concluding trade negotiations with Europe and Canada.[19] While this may cause challenges for companies that seek to integrate Brazil into U.S. based supply chains, it opens the door for developing trade with new markets in other regions through investment in Brazil.

Scale of Brazilian Economy: While high tariffs create concerns for traders and investors in Brazil, it is important to look at the size the Brazilian domestic market. While companies involved in bilateral trade between the United States and Brazil will need to carefully track markets, investments in production in Brazil remain an opportunity to cater to domestic consumers.

Exempt Products: Top line tariff numbers are of great concern to investors and traders. However, it is important to note that there are various products that remain exempt from the 50% tariffs levied by the United States—including products such as orange juice, oil, minerals, and aircraft. As companies seek to limit their exposure in Brazil and sell off assets, opportunities in these sectors may emerge as lucrative investment opportunities. While risks remain that these exemptions may disappear, these risks remain limited.

Clients should prepare for volatility in the short term, but the underlying fundamentals of Brazil's economy and global positioning suggest the country will remain a key market in the medium to long term. While the trade dispute between the United States and Brazil is unlikely to be resolved in the short term and there are concerns about further escalation, opportunities remain to engage with the country—both to take advantage of opportunities caused by skittish investors as well as to access both the Brazilian and its broader trading partners' markets. While caution should be taken given growing political polarization in the country, the nation's robust democratic institutions suggest that the country will be able to weather the polarization.

If you are interested in more analysis like this, please reach out to Pan-American Strategic Advisor's CEO Adam Ratzlaff (aratzlaff@panamstrategicadvisors.com) to schedule a discussion of how our team can help you navigate the Americas.

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