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Opinion – How Latin America Can Navigate the US-China Trade War

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SERGIO VILLARROEL, DEC 23 2025

The trade war between the United States and China, along with the radical shift in Trump's foreign policy compared to his predecessors, should compel us to analyze the nature of this conflict and rethink the international partnerships of Latin American countries accordingly. Is this a passing conflict fueled by Trump's provocative rhetoric? By alleged unfair trade practices of Chinese companies and government? Or, on the contrary, does it stem from systemic causes that must be analyzed in a long-term context?

While the sharp turn that US international politics has taken under the Trump presidency might lead us to the mistaken idea that the trade war will be reversed once he leaves office, a variety of circumstances compel us to be less optimistic. Trump is not the only one who has imposed sanctions on China. On the contrary, China has been subjected to constant pressure from the United States since 2001, when the Asian giant formally joined the WTO. Since then, every US president has imposed onerous economic burdens in a distressed attempt to balance a bilateral trade deficit perceived as extremely unfavorable to the United States.

It is profoundly revealing in this regard the fact that upon assuming the presidency, Biden not only did not reject his predecessor's economic sanctions against China, but maintained and even expanded them. This reveals to us the systemic causes of the trade tension between the two countries, as well as the nervousness that China's international rise causes within the US political and economic elites. This also reveals that regardless of who is at the helm of the United States or China, the tensions will continue and the rest of the world will remain caught in the middle.

Indeed, China's economic growth (and some of its trade practices) has been strategically considered a threat to the geopolitical interests of the United States by politicians and academics in that country. Additionally, the fact that the EU has joined in tariff sanctions against China in sectors such as semiconductors and electric vehicles demonstrates that the causes of the conflict extend beyond the geopolitical interests of the United States, risking the replication of the current economic conflict with other actors.

Regarding the Latin American scenario in particular, the forecasts are quite clear: despite some differences concerning how or when, virtually all experts in the field believe that the trade war and political tensions between China and the United States, while they may represent a short-term advantage for certain developing countries, will ultimately have a negative impact on the economies of all those involved, especially developing nations, as is the case in most countries in the region.

The benefits, based primarily on the need of both superpowers to seek alternative markets, are already being taken advantage of by some Latin American countries: Brazil and Argentina have absorbed (at least temporarily) a significant portion of the demand for soybeans in China and the United States; Chile and Peru have done the same with lithium and copper, while Mexico has taken advantage of the relocation and diversification of production bases by multinational companies seeking to strengthen or maintain their ties with the United States.

The disadvantages, while less evident in the short term, represent deeper and more serious consequences for developing economies. Disruption of global trade chains, profound alterations in financial markets, collapses in

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commodity prices, and investor's aversion to risky markets are just some of the consequences Latin American countries will have to face. Considering that the causes of the conflict are systemic, we will need systemic changes in our international relations, bearing in mind that economically weak countries will in no way be able to confront this crisis autonomously.

In the case of Latin American products, the unexpected imposition of tariffs, as well as the relative distance of Latin American countries from China, could have a very negative impact on the region's markets and put Latin American countries at a disadvantage, given China's economic importance to the region. This is especially true in relation to their Asian and African trade rivals, who are already seeking to strengthen their ties with the Asian giant (e.g., the Belt and Road Initiative). This is particularly relevant considering that in recent years, China has become Latin America's main trading partner, at the expense of the United States.

On the other hand, Trump's unpredictability and aggressive tone toward Latin American countries suggest few opportunities for economic expansion of the region's countries toward the United States, a situation that could, however, undergo significant changes once Trump leaves the presidency.

In this scenario, the course of action is clear for Latin America: to try to obtain the benefits derived from the disruption of global supply and marketing chains while simultaneously implementing measures to weather the storm in the long term. The prudent approach is not to choose one side to the exclusion of the other, but rather to determine how we can collaborate with each of them. For both China and the United States, Latin America represents an irreplaceable reserve of raw materials, as well as a highly lucrative market for their products. Also, despite the comparatively risky nature of investing in Latin American markets, the region presents a highly attractive potential for economic growth for two superpowers seeking to increase their economic presence and market share globally. This potentially allows Latin American countries to impose at least some of their own market conditions under favorable circumstances.

The natural idea for these countries would be to do so jointly. However, the region's chronic populism and instability, as well as its very particular way of conducting politics, have shown the limited real impact of Latin American multilateralism (does anyone remember USAN?). This, along with the fact that the consequences of the economic war will not be the same for all countries in the region (in fact, the consequences will vary internally from one economic sector to another), compels us to seek more creative options without completely discarding the regional component.

The multilateral component will be key in a context of global market disruptions. This compels Latin American countries to partially abandon the old Bolivarian dream of unity and seek partners who may be geographically and culturally more distant, but with more shared interests. The use of cooperation schemes and multilateral agreements based on production and price controls (e.g., OPEC), redesigned to focus on price stabilization rather than profit-making, can be one of Latin America's main tools in the short and medium term. Latin American countries need to seek the cooperation of its trading rivals in a wide range of commodities in order to jointly implement measures that mitigate price volatility.

In the long term, and faced with systemic difficulties without a visible short- or medium-term solution, market diversification, as well as international agreements for value addition and structural economic transformation, are crucial for the countries of the region to better cope with the storm. Similarly, the implementation of international reserves of basic commodities (rice, corn, sorghum, etc.) will be extremely useful while addressing the threats to food security that the trade conflict could produce in developing countries.

While Latin American countries are vulnerable, they are not defenseless. Joint action, whether through regional integration efforts or broader cooperation and price control agreements, is their main weapon in a conflict they did not ask to be a part of and yet cannot escape from.

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About the author:

Sergio Villarroel is an Ecuadorian lawyer who currently serves as an advisor and researcher at the Judicial Training School of the Ecuadorian Judiciary Council. His research areas include economic and political relations between China and Latin America, as well as development studies. He holds a Master's degree in International Relations and Diplomacy from Shanghai University.