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Brazil at the Ballot Box

The 2026 Election and Arizona's Strategic Interests

Trade Tensions, Critical Minerals, and Aerospace Supply Chains

Brazil's official campaign began on August 16 ahead of a first-round vote on October 4 and a possible runoff on October 25. President Luiz Inácio Lula da Silva enters the race with a narrow lead over Senator Flávio Bolsonaro, while several additional candidates trail behind. However, the election's importance goes beyond the Brazilian presidency, as this electoral cycle will also select 27 governors, 54 senators, and all 513 members of the Chamber of Deputies. The election results will be consequential for American foreign policy and are currently a prominent concern within Washington policy circles.

As for U.S. trade policy, a new U.S. Section 301 action applies a 25 percent additional tariff to most Brazilian goods, subject to product exclusions. Additionally, a separate U.S. action applies a 12.5 percent surcharge to covered products under a broader forced-labor investigation. Brazil has opened a process under its Economic Reciprocity Law while continuing diplomatic consultations, yet negotiations remain tense.

In 2022, a bipartisan delegation of the Arizona Legislature traveled to Brazil to establish a trade mission and explore commercial opportunities across various sectors. The subsequent international trade plan identified aerospace products and parts, semiconductors, control instruments, and raw materials for chip and electric-vehicle supply chains as priority areas. The upcoming election creates an opportunity to convert that broad agenda into a smaller set of qualified projects that are resilient to political change.

Commercial ties to Brazil are crucial for aerospace, critical minerals, advanced manufacturing, and most importantly, our growing semiconductor industry. Arizona's aerospace and defense supply chain includes more than 1,250 companies, and Arizona leads the United States in copper production while building major semiconductor and mineral-processing capacity. Acknowledging the importance of these industries further emphasizes the need to fortify these economic ties in the face of such risks.

Executive Takeaway

- **Brazil's election has direct commercial consequences:** The result will influence industrial policy, fiscal priorities, and relations with Washington, while the new U.S. tariffs already affect business decisions before votes are cast.
- **Critical minerals and aerospace offer Arizona's strongest connections:** Brazil's resource and aviation ecosystems align with Arizona capabilities in mining technology, advanced manufacturing, and aerospace services.
- **Arizona should prepare before the outcome:** Scenario planning, product-level tariff analysis, and a focused partner map can identify opportunities that remain viable under different political and trade conditions.

Top Developments

1. The election will reshape Brazil's policy environment

Brazil's upcoming presidential contest is quite competitive and offers two fundamentally oppositional visions: Lula and the Brazilian left will continue to challenge American foreign policy in the hemisphere while strengthening their ties with China, while the Brazilian right-wing will likely follow the steps of the former Bolsonaro presidency, including market reforms, deregulation, and further alignment with the United States.

Why this matters: *Arizona organizations should build at least two scenarios rather than assume that a presidential victory translates directly into policy. Congressional composition, governors, and fiscal constraints will determine which proposals can be implemented.*

Further reading: *Brazil's Superior Electoral Court: 2026 Election Calendar*; *Brazil's Superior Electoral Court: Offices on the Ballot*; *Reuters: Lula and Bolsonaro Polling*; *Reuters: Bolsonaro's Economic Policy Team*.

2. U.S.-Brazil tariff tensions have become an operating risk

The U.S. tariff actions that took effect in July cover a broad range of Brazilian goods, but include critical exceptions. Brazil's Ministry of Development, Industry, Trade and Services cautions that the two U.S. measures have distinct product coverage and conditions. Brazil's reciprocity process could eventually produce economic reprisals, although negotiations are still ongoing.

For Arizona companies, the practical issue is product classification rather than the national tariff headline. Importers should identify the relevant Harmonized Tariff Schedule codes, determine whether an exclusion applies, test supplier alternatives, and check whether updated export controls apply. Exporters should also assess whether European or Asian competitors gain a relative advantage in Brazil and adjust accordingly.

Why this matters: *A company may be affected differently from the sector described in political coverage. A product-level exposure map is the necessary first step before changing suppliers, prices, contracts, or market strategy.*

Further reading: *USTR: Section 301 Action on Brazil*; *Brazil's MDIC: Scope of the U.S. Tariff Measures*; *Reuters: Brazil Opens Reciprocity Process*; *Reuters: Tariffs Enter the Election*.

3. Critical minerals offer the strongest strategic opening

Brazil holds a geographically diverse portfolio of critical minerals, including rare earths, graphite, lithium, nickel, and niobium. Its 2026 investor strategy seeks more geological knowledge, exploration, production, and domestic processing. A March U.S.-Brazil forum reported more than US$600 million in existing U.S. investment and identified the potential for substantially larger project pipelines.

Arizona's comparative advantage is not ownership of Brazilian deposits. It lies in mining equipment, geological science, automation, water efficiency, environmental monitoring, pilot processing, and workforce development. The University of Arizona is expanding research in robotics, AI-assisted exploration, mineral characterization, and processing and represents a potential avenue of lucrative collaboration.

Why this matters: *The most credible near-term Arizona proposition is a technology, research, and workforce corridor - not an assumption that Brazilian resources will automatically flow to Arizona manufacturers.*

Further reading: *U.S. Commercial Service: Brazil Critical Minerals by State*; *Brazil's Ministry of Mines and Energy: 2026 Investor Guide*; *U.S. Embassy: U.S.-Brazil Critical Minerals Forum*; *University of Arizona: Sustainable Mining and Critical Minerals*.

4. Aerospace creates the most practical commercial bridge

Brazil is one of six countries that manufactures commercial jets and is the sixth-largest export market for U.S. aerospace products. The U.S. Commercial Service identifies opportunities in general aviation, aeromedical conversion, agricultural aviation, drones, and advanced air mobility. Local firm representation and careful post-sale stakeholder management are central to successful market entry strategies.

Arizona has an opportunity to enhance its existing ties to the Brazilian aerospace sector. The state's 2023 trade plan reported that Arizona ranked among the three leading U.S. state importers of Brazilian aerospace products and parts and recommended expanding two-way trade in aerospace, semiconductors, and control instruments. Arizona also exported US$5.6 billion in aerospace products and parts in 2025, demonstrating its position as a substantial supplier and technical-services base.

Why this matters: *Aerospace offers an existing two-way supply-chain relationship that can be reformed more quickly than designing a new economy-wide trade agenda. The first task is to identify specific components, services, and partners that remain competitive under current tariffs.*

Further reading: *U.S. Commercial Service: Brazil Civil Aviation*; *Arizona Legislature: 2022 Brazil Trade Mission*; *Arizona Legislature: International Trade Plan*; *Arizona Commerce Authority: 2025 International Trade*.

5. Fiscal and implementation constraints will outlast the campaign

Brazil's gross public debt reached 81.9 percent of GDP in June, while the OECD projects economic growth of 1.6 percent in 2026. Congress has already approved new spending controls as concerns about interest costs and mandatory expenditures grow. These conditions will limit the fiscal space available for either an expanded state-led industrial agenda or a rapid market-oriented transition.

Execution will also vary across states and individual projects. Mining requires complex licensing, infrastructure, community engagement, and credible environmental safeguards. Aerospace and advanced manufacturing require qualified local partners, tax and customs planning, certification, and long-term maintenance capacity. Therefore, Political access alone will not resolve these conditions.

Why this matters: *Arizona organizations should distinguish political openness from implementation capacity. Durable engagement will depend on finance, regulation, counterpart quality, and local legitimacy after the election.*

Further reading: *Central Bank of Brazil: Fiscal Statistics*; *OECD: Brazil Economic Outlook 2026*; *Reuters: Congress Approves Spending Curbs*; *U.S. Commercial Service: Brazil Import Tariffs*.

HERE'S THE CHALLENGE

Turning Brazil's Election into a Qualified Arizona Strategy

Brazil's election will change the tone and instruments of policy, but the strongest bilateral opportunities should remain viable across a wide array of political outcomes. Arizona needs a focused portfolio built on verified demand, product-level tariff analysis, capable Brazilian counterparts, and measurable outcomes.

The key question is: Which aerospace, critical-mineral, semiconductor, or research opportunities can remain viable under either electoral outcome or different tariff scenarios during the next 12 months?

Mistakes to avoid

- Treating Brazil's election only as an ideological contest between left and right
- Converting campaign proposals, mineral reserves, or tariff exclusions into confirmed projects
- Planning a broad mission before identifying buyers, partners, tariff exposure, and project requirements

Where Arizona organizations can act

- Map 20 to 30 Arizona and Brazilian organizations in aerospace and critical-mineral value chains
- Complete a product-level tariff exposure review using Harmonized Tariff Schedule codes
- Convene a focused pre-election roundtable and prepare a post-election engagement plan

How the Arizona Institute for the Americas Can Help

The Arizona Institute for the Americas translates Brazil's political and trade developments into Arizona-specific scenario analysis, sector mapping, counterpart selection, and executive engagement strategy.

About the Arizona Institute for the Americas

The Arizona Institute for the Americas is an independent strategic intelligence institute analyzing developments across the Americas that shape Arizona's economy and regional position. We turn policy and market change into business intelligence, partnerships, and sustained initiatives.

Contact

Contact us to build a focused Arizona engagement strategy for Brazil.

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