After the Supreme Court Ruling on Tariffs, Expect Deeper "Re-regionalization"

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Jerry Haar

The February 20 Supreme Court ruling on tariffs has voided President Trump's current application of the International Emergency Economic Powers Act (IEEPA). However, a temporary 15% global tariff for up to 150 days under Section 122 and new Section 301/232 actions will be applied instead.

The bigger and more impactful story for Latin America is that the region is likely to see a deeper "re-regionalization" of supply chains into Mexico, Central America, and selected South American hubs. This development will unfold under a constant overhang of possible Section 232 and 301 measures that could partially recreate the tariff shock just rolled back.

Regarding the direction of long-term supply chain shifts, the rollback of broad, emergency-style tariffs removes some uncertainty and reinforces an existing trend--U.S. and global firms are redirecting production from Asia to Mexico, Central America, and parts of South America to shorten supply chains and reduce China exposure. Analysts describe this as a structural "re-industrialization" or nearshoring opportunity for the region, especially in autos/EVs, electronics, textiles, furniture, and eventually semiconductors, with Mexico, Colombia, Panama, Costa Rica and the Dominican Republic seen as particularly attractive nodes.

As to which LAC hubs gain structurally, Mexico is the primary winner. USMCA access, existing manufacturing clusters, and ongoing U.S. retailer/manufacturer investments (Walmart, Home Depot, large OEMs) anchor long-term production in autos, electronics, appliances, and IT services. Central American and Caribbean economies with DR-CAFTA/free-zone regimes (e.g., Costa Rica, Dominican Republic, Panama) gain in textiles, medical devices, back-office and logistics, as U.S. and European firms look for diversified "China-plus-one" options in the hemisphere.

In terms of sectoral patterns of relocation, much attention focuses on three sectors: manufacturing, services and agriculture. In the first instance, automotive/EV supply chains, electronics, and home products are already shifting. Examples include big-box retailers expanding sourcing from Mexico and Chile, and global brands (Samsung, Mattel, IKEA, TSMC) using LAC locations as nearshore platforms. As for services, IT/BPO in Mexico, Colombia, Chile, Brazil, and Argentina will continue to excel, while in agribusiness (mainly value-added food exports) from Brazil, Ecuador and Costa Rica stand out. These countries are positioned to scale as the U.S. unwinds hundreds of agricultural tariffs and seeks reliable suppliers closer to home.

The big question is: How will tariff rollback shape corporate strategy? With 237+ U.S. agricultural tariffs and many manufacturing levies rolled back, exporters in Latin America can re-enter or expand categories previously priced out, motivating investment in processing capacity, cold chains, and port/logistics infrastructure. Multinationals have already been redesigning network footprints, concentrating high-value manufacturing and complex logistics within the USMCA/DR-CAFTA space while using Asia more selectively, a pattern logistics providers already see in changing container flows and sourcing origins.

As to the Supreme Court ruling, most importers, exporters and trade intermediaries will be elated with the ruling; but this is not a one-and-done mandate by any means. Indeed, there are risks from new Section 232 and 301 actions. The Supreme Court limited Trump's use of emergency powers, but experts expect a pivot toward Section 301 (unfair trade) and Section 232 (national security) to build more durable tariff walls that could even exceed the struck-down IEEPA tariffs. Section 301 investigations—now being prepared—can authorize long-lasting tariffs across many products and countries, while Section 232 has already been used in Trump's second term on items from steel to autos to bathroom vanities, with more investigations under way.

For Latin America specifically, country-level risk differentiation vis-à-vis U.S. tariffs will grow. Mexico and DR-CAFTA partners may negotiate exemptions or tailored deals, while others (e.g., Brazil in steel, niche exporters in metals or fertilizers) could again be targeted under "national security" or "unfair practice" claims. Sector risk will be highest where Washington links imports to technology or defense capacity—semiconductors, some pharma, critical minerals—so even nearshoring to LAC does not fully insulate firms if Washington decides to constrain volumes or impose quotas via Section 232.

Within this ever-changing and volatile tariff milieu, the strategic implications for firms and policymakers are far-reaching. Therefore, companies should treat current tariff relief as a window, not a guarantee. Firms should design supply chains that are regionally diversified (multiple LAC sites plus some U.S. capacity), contractually flexible, and able to switch origin in response to new 232/301 actions. LAC governments aiming to lock in nearshoring need to complement trade preferences with improvements in infrastructure, institutional stability, and workforce skills. Without these much-needed improvements, the region will fail to realize the benefits from re-regionalization and economic growth, in general.

Jerry Haar is a business professor at Florida International University and a fellow at both the Baratta Center for Global Business Education at Georgetown University and New York University's Development Research Institute. He is also a member of the International Executive Resources Group.