

Closer but Not Steadier? Logistics Performance and Latin America's Share of US Import Reallocation after the Section 301 Tariffs

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Abstract

The US tariffs imposed on Chinese goods under Section 301 in 2018–2019 triggered a large reallocation of US imports away from China, and nearshoring narratives predicted that Latin America, closer to the US market, would be a principal beneficiary. This article tests that prediction with product-level US import data for 74 major suppliers, 4,772 HS6 products and the years 2015–2025, combined with the original tariff lists published in the Federal Register and the World Bank Logistics Performance Index. Using Poisson pseudo-maximum likelihood with exporter-product, product-year and exporter-year fixed effects, the estimates show that a full 25-point tariff increase reduced China's imports by about half relative to other suppliers, with flat pre-trends. Latin American exporters did not capture a disproportionate share of this diversion: in tariffed products their imports fell by about 27% relative to other non-Chinese suppliers, a result that holds for Mexico, Central America and South America separately and survives alternative windows, samples and treatment definitions. Pre-shock logistics performance does not explain which Latin American countries fared better; the moderation estimate is fragile and its randomization-inference p-value is 0.44. Proximity and logistics capacity were not sufficient conditions for capturing tariff-driven reallocation.

JEL classification: F13; F14; F23; F54

1. Introduction

Between July 2018 and September 2019 the United States imposed additional duties of up to 25 percentage points on roughly two-thirds of its imports from China under Section 301 of the Trade Act of 1974. The episode has become the reference case for a broader question in international business and trade policy: when a dominant supplier is suddenly made more expensive, where does sourcing go? A large body of work now documents that US imports of tariffed products from China fell sharply and that other suppliers expanded (Fajgelbaum et al., 2020; Amiti et al., 2019; Fajgelbaum & Khandelwal, 2022). The beneficiaries most often named are Vietnam, Taiwan, Mexico and India (Fajgelbaum et al., 2024; Freund et al., 2024; Alfaro & Chor, 2026).

Latin America occupies a prominent but under-tested place in this debate. Policy and business discourse since 2020 has described the region, and Mexico in particular, as the natural destination of nearshoring: it is close to the US market, it is integrated through trade agreements such as the USMCA and CAFTA-DR, and shorter transit times should matter more once supply-chain resilience is priced (Santillán Luna et al., 2024; Morales-Fajardo & Franzoni, 2024; Schatan Pérez, 2025). Yet the empirical literature either studies Mexico in isolation (Hannan & Wang, 2026; Mendoza Cota, 2021) or treats Latin America as part of a residual group of third countries. To the best of our knowledge, no study has compared how individual Latin American exporters responded to the tariff-driven reallocation, nor tested whether the quality of their trade logistics conditioned that response.

This article fills that gap. It asks two connected questions. First, did Latin American exporters capture a disproportionate share of the US imports that the Section 301 tariffs diverted away from China? Second,

within the region, did countries with better logistics performance before the shock capture more? The second question matters because two reasons are usually offered for expecting Latin American gains, geographical proximity and the logistical reliability that proximity is supposed to deliver, and they need not coincide. A country can be close to the United States and still offer slow, costly or unpredictable border processes, as the logistics literature has long emphasised (Djankov et al., 2010; Hummels & Schaur, 2013; Martí et al., 2014).

The analysis combines three primary sources: product-level US import statistics from the US Census Bureau for 2015–2025; the original Section 301 tariff lists as published in the Federal Register, which identify the treated tariff lines in the nomenclature in force when the duties were imposed; and the World Bank Logistics Performance Index (LPI). The tariff exposure of each six-digit product is measured continuously, as the share of China's pre-shock exports to the United States that fell into tariffed eight-digit lines, weighted by the size of the duty. Estimation uses Poisson pseudo-maximum likelihood with exporter-product, product-year and exporter-year fixed effects, so that identification comes from differential changes across products within each exporter, relative to other exporters of the same product in the same year.

Three results stand out. First, the estimates replicate the established decline of China in tariffed products, with flat pre-trends and a gradual deepening through 2022. Second, and contrary to the nearshoring expectation, Latin American exporters lost ground relative to other non-Chinese suppliers in exactly those products: a full 25-point tariff on China is associated with roughly 27% lower US imports from Latin America, relative to other suppliers of the same product. The pattern holds for Mexico, Central America and South America separately and survives alternative windows, samples and treatment definitions. Mexico grew strongly over the period, but by a similar amount in tariffed and untariffed products, so its expansion is not explained by tariff-driven diversion. Third, logistics performance does not account for the variation within the region: the moderation estimate is positive but imprecise, depends on Mexico, and has a randomization-inference p-value of 0.44.

The article contributes to three literatures. It adds a regional, multi-country perspective to the work on third-country effects of the US–China trade war, which has concentrated on Asian bystanders. It brings logistics performance, a standard determinant of trade costs, into the analysis of who benefits from trade diversion, and reports a well-powered null result for the region. And it speaks to the international business literature on de-coupling and supply-chain reconfiguration (Liu et al., 2025; Golgeci et al., 2025; Evenett, 2019) by showing that location advantages that look decisive in strategic narratives were not sufficient to attract reallocated sourcing in the first large test. The remainder of the article describes the policy background, develops the hypotheses, presents the data and empirical strategy, reports the results and discusses their implications and limitations.

2. Background: the Section 301 tariffs and the reallocation of US imports

The Section 301 investigation into China's acts, policies and practices related to technology transfer, intellectual property and innovation led the Office of the US Trade Representative (USTR) to impose additional duties in four waves. List 1, covering 818 eight-digit lines, took effect on 6 July 2018 at 25% (USTR, 2018a). List 2, with 279 lines, followed on 23 August 2018, also at 25% (USTR, 2018b). List 3, the largest wave with about 5,745 lines, entered into force on 24 September 2018 at 10% and was raised to 25% in May 2019 (USTR, 2018c). List 4A, with about 3,200 lines, took effect on 1 September 2019 at 15% and was reduced to 7.5% in February 2020 under the Phase One agreement, while List 4B, which covered many consumer electronics, was suspended and never applied (USTR, 2019; Bown, 2021).

The lists were constructed by the USTR to target products associated with Chinese industrial policy while limiting the direct impact on US consumers, and the first waves concentrated on intermediate and capital goods. This matters for identification: because product selection followed policy criteria rather than the export capabilities of third countries, the cross-product variation in tariff exposure is plausibly unrelated to pre-existing trends in Latin American exports, an assumption that the event-study estimates below allow us to check. Prior work finds that pre-tariff import trends of tariffed and untariffed products were similar (Fajgelbaum et al., 2020; Amiti et al., 2019).

The economic effects of the tariffs have been studied extensively. The incidence fell almost entirely on US importers and consumers, with near-complete pass-through of the duties into tariff-inclusive prices (Amiti et al., 2019, 2020; Fajgelbaum et al., 2020). US imports of tariffed products from China fell substantially, and the decline persisted after the Phase One agreement (Bown, 2021; Fajgelbaum & Khandelwal, 2022). The trade war also propagated through value chains: tariffs on Chinese downstream products reduced China's imports of inputs from Japan, Korea and Taiwan (Ma et al., 2026), raised cumulative tariffs paid by third countries linked to the United States through supply chains (Mao & Görg, 2020), and affected labour markets in countries far from the conflict (Cavalcanti et al., 2026).

A second phase began in 2025, when the US administration announced broad tariffs on most trading partners, including Latin American countries, and extended additional duties to Chinese products previously exempted. These measures changed the comparison between tariffed and untariffed products, because many goods excluded from the 2018–2019 lists became subject to duties in 2025 (Bown, 2026; Alfaro & Chor, 2026). The main analysis therefore focuses on 2015–2024 and treats 2025 as a separate period, reported in the robustness checks.

Throughout the period Latin America's position in US trade changed markedly. Mexico overtook China as the largest source of US goods imports in 2023, and US imports from Mexico rose from about US\$313 billion in 2017 to US\$534 billion in 2025 in the data used here. Over the same years, imports from South American suppliers grew much more slowly. Whether these aggregate movements reflect tariff-driven diversion, broader integration within North America, or other forces such as commodity prices and the pandemic is precisely what a product-level design can separate.

3. Literature and hypotheses

3.1 Third-country effects of the US–China trade war

The trade-war literature has moved from the direct effects on the two belligerents to the responses of third countries. Fajgelbaum et al. (2024) estimate product-level exports to the United States, China and the rest of the world and find that, on average, countries increased exports to the United States in tariffed products, with gains concentrated among exporters that operate along downward-sloping supply curves. Freund et al. (2024) document that the decline in China's share of US imports was matched by gains in countries already integrated into Chinese supply chains, notably Vietnam and Mexico, and that the reallocation did not reduce US dependence on Chinese inputs. Alfaro and Chor (2026) describe a 'great reallocation' in which the United States decoupled from China but not from the world, diversified mainly among its top partners and shifted along the intensive margin, with the decline of China spreading to contract-intensive goods by 2021–2024.

Within this literature Mexico is the Latin American case that has received attention. Hannan and Wang (2026) use a product-month panel for 2016–2020 and find that higher US tariffs on Chinese goods increased US imports from Mexico along both the extensive and the intensive margin, with larger gains in products where Mexico had lower pre-shock exposure and smaller gains in sectors more deeply integrated into global value chains. Earlier work on Mexico's trade with the United States emphasises distance, the size of Mexican states and foreign direct investment as determinants of bilateral trade (Mendoza Cota, 2021), while sectoral simulations stress the vulnerability of the automotive industry to US tariffs (Bocanegra-Villegas et al., 2026). Studies of the rest of the region are scarcer and generally concern specific products or the indirect effects of Chinese retaliation, as in the case of Brazil (Cavalcanti et al., 2026; Kanas & Goldbaum, 2026).

A related strand evaluates the aggregate and political consequences of renewed protectionism. Computable general equilibrium studies simulate the consequences of escalating tariffs for the United States and its partners (Robinson & Thierfelder, 2024; Srivastava & Mathur, 2026; Bouët et al., 2026), while empirical work finds contractionary effects of protectionist trade policy on output (Uribe-Terán et al., 2025) and significant financial-market reactions to tariff announcements (Rao et al., 2025). Others document how trade policy uncertainty alone shifts the timing and composition of imports (Handley & Limão, 2015; Suwanprasert, 2026). Historical evidence on regional trade agreements in the Americas shows that trade diversion is real but uneven across partners (Fukao et al., 2003; Robertson & Estevadeordal, 2009; Freund, 2010).

Methodologically, the literature has converged on product-level designs that exploit the uneven coverage of the tariff lists. Fajgelbaum et al. (2020) and Amiti et al. (2019) compare tariffed and untariffed ten-digit products within China, and Fajgelbaum et al. (2024) extend the comparison to third-country exports, estimating product-level elasticities that allow for heterogeneous supply responses. Most of these studies define treatment at the level of individual tariff lines and focus on the first two years after the shock. Studies that follow the reallocation over a longer horizon, such as Alfaro and Chor (2026) and Bown (2026), are more descriptive and emphasise shares and stylised facts rather than estimated

differentials for particular regions. The present article combines the two traditions: it uses the identifying variation of the product-level designs, but follows exporters through 2024 and compares groups of countries rather than estimating an average third-country response.

3.2 Proximity, nearshoring and supply-chain resilience

The expectation that Latin America would benefit rests on arguments about proximity and resilience. Theoretical work shows that when supply disruptions are possible, firms value diversification and may prefer suppliers that are closer or safer, although the optimal policy response depends on demand conditions (Grossman et al., 2023). Reviews of the evidence on risks in global supply chains stress that most disruptions are temporary and that firms adjust sourcing slowly because relationships are sticky (Baldwin & Freeman, 2022; Nunn, 2007). In international business, the literature on selective de-globalisation describes how multinationals de-couple sourcing in stages and along different paths, from full exit to partial diversification (Liu et al., 2025), and how sociopolitical pressures increasingly shape supply-chain decisions (Golgeci et al., 2025; Ji, 2026; Chen & Ryoo, 2026).

Region-specific work describes nearshoring to Mexico as a strategic opportunity (Santillán Luna et al., 2024; Morales-Fajardo & Franzoni, 2024; Schatan Pérez, 2025) and documents the reconfiguration of Latin American supply chains after the pandemic (Granillo-Macías et al., 2024). Political-economy accounts situate these shifts in a broader realignment of global value chains around security and alliances (Ji, 2026; Gopinath et al., 2025). These contributions are mostly descriptive or conceptual. They establish why proximity could matter but do not test whether the 2018–2019 tariffs actually redirected US sourcing towards the region more than towards other suppliers.

3.3 Logistics performance and trade

A separate literature measures how trade costs that are not tariffs affect trade. Each additional day of transit is equivalent to an ad valorem tariff of 0.6–2.1% (Hummels & Schaur, 2013), and each additional day before shipping reduces trade by roughly one percent (Djankov et al., 2010). The World Bank's LPI summarises perceptions of customs efficiency, infrastructure, international shipments, logistics competence, tracking and timeliness on a scale from 1 to 5 (Arvis et al., 2016), and higher LPI scores are associated with greater exports (Martí et al., 2014). Studies of Latin America show that internal logistics costs weigh on exports (Nonalaya et al., 2021), that import logistics into Mexico still involve frictions (Sanchez-Partida et al., 2025), and that the spatial distribution of logistics performance is uneven (Xiao et al., 2022). Macroeconomic determinants of openness in the region also vary widely across countries (Morán Santamaría et al., 2025).

This literature suggests a reason why proximity alone might not suffice. If diversion favours suppliers that can deliver reliably at scale, then what matters is not distance but effective logistics capacity: the speed and predictability of ports, customs and inland transport. A country close to the United States but with weak logistics would then capture less than its geography implies.

3.4 Hypotheses

The preceding discussion yields three hypotheses. The first replicates the core finding of the literature and adds the regional prediction implicit in nearshoring narratives:

H1. After the Section 301 tariffs, US imports from China fell more in products with higher tariff exposure, and US imports from Latin American exporters rose more in those products than imports from other non-Chinese suppliers.

The second hypothesis concerns heterogeneity within the region. If proximity drives the gains, the nearshore economies of Mexico, Central America and the Caribbean should benefit more than South America:

H2. The capture of tariff-driven reallocation differs across Latin American exporters and is larger for those closest to the United States.

The third hypothesis tests the logistics channel:

H3. Among Latin American exporters, those with better logistics performance before the tariffs captured a larger share of the reallocation in tariffed products.

Each hypothesis is stated in the direction suggested by prior arguments. The results are reported regardless of whether they support them.

4. Data

4.1 US imports

US import data come from the US Census Bureau's International Trade API (US Census Bureau, 2026). For each year from 2015 to 2025, general imports by country of origin and six-digit Harmonized System (HS6) product were downloaded using the cumulative December value, which equals the annual total. The raw files contain between 222,000 and 245,000 country-product records per year. Aggregate groupings reported by the Census Bureau (for example, the European Union, ASEAN or USMCA) were removed, as were HS Chaps. 98 and 99, which record special classification provisions rather than goods. Annual totals match the published figures: total US imports of US\$2,340 billion in 2017, US\$505 billion from China and US\$313 billion from Mexico.

The sample comprises the 74 countries that supplied more than US\$1 billion of goods to the United States in 2017. These suppliers account for the vast majority of US imports and include 14 Latin American countries: Mexico, Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica, the Dominican Republic, Colombia, Venezuela, Ecuador, Peru, Chile, Brazil and Argentina. Venezuela is excluded from all estimates because the oil sanctions imposed in 2019 collapsed its exports to the United States for reasons unrelated to the tariffs; including it does not change the results. The panel retains every exporter-product pair with positive trade in at least one year of 2015–2017 and fills missing years with

zeros, which keeps the extensive margin of exit in the data. The resulting balanced panel has 1.64 million observations, 4,772 products and a share of zeros of 26%.

4.2 Tariff exposure

Tariff exposure is constructed from the original Section 301 notices published in the Federal Register (USTR, 2018a, 2018b, 2018c, 2019). Using the original annexes, rather than the current version of the US tariff schedule, is important. A first attempt using Chap. 99 of the 2026 Harmonized Tariff Schedule produced lists in the current nomenclature, in which 24% of the List 3 codes and 42% of the List 4A codes do not exist in the 2017 trade data because of the 2022 revision of the Harmonized System. The original annexes avoid this problem and require no concordance (Pierce & Schott, 2012).

The annexes yield 817 eight-digit lines for List 1, 283 for List 2, 5,748 for List 3 and 3,237 for List 4A, which closely match the official counts. Matching these lines to US imports from China at the ten-digit level gives US\$32.2 billion for List 1, US\$13.8 billion for List 2, US\$189.8 billion for List 3 and US\$125.7 billion for List 4A in 2017, consistent with the official estimates of about US\$34, 16, 200 and 112–120 billion, which were based on 2018 values. The small number of lines that appear in more than one annex, mostly codes cited in the text of later notices, are assigned to the earliest list.

For each HS6 product p , the tariff increase is the import-weighted average of the additional duty across its eight-digit lines, using US imports from China in 2016–2017 as weights:

$$\Delta\tau_p = \sum_{l \in p} w_l \cdot \tau_l, w_l = M^{CN}_{\{l, 2016-17\}} / \sum_{l \in p} M^{CN}_{\{l, 2016-17\}}$$

where τ_l equals 25 percentage points for lines in Lists 1–3, 7.5 points for List 4A (the rate in force from February 2020) and zero otherwise. The measure ranges from 0 to 25, with a mean of 18.6 and a median of 25. Treatment in the regressions is $T_{pt} = (\Delta\tau_p / 25) \times \text{Post}_t$, where Post_t equals one from 2019 onwards, so that coefficients measure the effect of a full 25-point increase. Year 2018, when the lists entered into force between July and September, is excluded from the baseline as a transition year and included in a robustness check.

4.3 Logistics performance

Logistics performance is measured with the overall LPI from the World Bank's World Development Indicators (World Bank, 2026). The baseline uses the 2016 edition, the last one published entirely before the tariffs: the 2018 edition was released in July 2018, when List 1 was already in force, and could therefore reflect early adjustments. Within the Latin American sample, 2016 values range from 2.46 for Honduras to 3.25 for Chile, with Mexico at 3.11 and Brazil at 3.09; Germany has the highest score in the world at 4.23 (Arvis et al., 2016). The 2014 and 2018 editions are used in robustness checks. Taiwan, which is not covered by the World Bank, and Sri Lanka, which has no 2016 score, drop out of the logistics regressions only, leaving 70 non-Chinese suppliers. The LPI is standardised to have mean zero and unit standard deviation across the countries in each estimation sample.

The tariff measure also shows how differently the export baskets of the supplier groups were exposed before the shock. Measured by the share of 2017 US imports in high-exposure products (an average tariff increase of at least 20 points), the figure was 43% for China itself, 53% for emerging Asia, 70% for Mexico, 37% for Central America and the Dominican Republic and 77% for South America. The import-weighted average tariff increase of each group's basket was 13.0 points for China, 16.2 for emerging Asia, 20.4 for Mexico, 13.3 for Central America and the Dominican Republic and 20.9 for South America. Latin American exporters, in other words, were not short of products that appeared on the lists. The question is whether they expanded in those products faster than other suppliers once Chinese goods became more expensive, which is what the empirical strategy measures.

Table 1
Data sources and sample

Item	Source	Coverage / value
US imports	US Census Bureau, International Trade API (HS6, general imports, annual)	2015–2025; 74 suppliers > US\$1 bn in 2017; 4,772 HS6 products
Tariff lists	Federal Register: 83 FR 28710 (List 1), 83 FR 40823 (List 2), 83 FR 47974 (List 3), 84 FR 43304 (List 4A)	817 / 283 / 5,748 / 3,237 HS8 lines
Exposure weights	US imports from China, HS10, 2016–2017 (Census)	Matched value 2017: US\$32.2 / 13.8 / 189.8 / 125.7 bn
Tariff increase $\Delta\tau$	Import-weighted additional duty by HS6	Mean 18.6 pp; median 25 pp; range 0–25
Logistics	World Bank LPI, overall score (2014, 2016, 2018)	Latin America 2016: 2.46 (Honduras) – 3.25 (Chile)
Estimation panel	Exporter $\times$ HS6 $\times$ year, pairs with trade in 2015–2017	1.64 m observations; 26% zeros; baseline N = 1,296,535
<i>Note: Venezuela is excluded from all estimates because of the 2019 oil sanctions. Baseline excludes the transition year 2018 and the year 2025.</i>		

5. Empirical strategy

The baseline specification is a gravity-style regression for US imports from exporter c of product p in year t , estimated by Poisson pseudo-maximum likelihood (PPML), which handles zero trade flows and is consistent under heteroskedasticity (Santos Silva & Tenreyro, 2006):

$$M_{cpt} = \exp(\beta_{CN} \cdot T_{pt} \cdot \text{China}_c + \beta_{LA} \cdot T_{pt} \cdot \text{LatAm}_c + \alpha_{cp} + \delta_{pt} + \gamma_{ct}) \cdot \varepsilon_{cpt}$$

The exporter-product fixed effects α_{cp} absorb time-invariant comparative advantage, distance and trade-agreement status for each product. The product-year effects δ_{pt} absorb all shocks common to a product in a given year, including US demand, world prices and the direct effect of the tariff on total US imports of that product. The exporter-year effects γ_{ct} absorb country-wide shocks such as exchange

rates, the pandemic or macroeconomic crises, and also absorb aggregate growth of any exporter, which is why Mexico's overall expansion does not by itself generate a positive coefficient.

With these fixed effects the coefficients have a precise interpretation. β_{CN} measures how much US imports from China changed in high-exposure products relative to low-exposure products, compared with the same difference for the omitted group of other non-Chinese suppliers. β_{LA} measures the same differential for Latin American exporters. A positive β_{LA} would mean that Latin America captured more of the reallocation than the average other supplier; a negative value means it captured less. Coefficients translate into percentage changes as $\exp(\beta) - 1$.

H2 is tested by replacing the single Latin American interaction with separate interactions for Mexico, for Central America and the Dominican Republic, for South America and, in a fuller version, for each country, with Vietnam, Taiwan and India included as benchmark comparisons. H3 is tested on the sample of non-Chinese suppliers with an interaction between the treatment and the standardised LPI, both for the full sample and within Latin America:

$$M_{cpt} = \exp(\theta_1 \cdot T_{pt} \cdot LPI_c + \theta_2 \cdot T_{pt} \cdot LatAm_c + \theta_3 \cdot T_{pt} \cdot LatAm_c \cdot LPI_c + \alpha_{cp} + \delta_{pt} + \gamma_{ct}) \cdot \varepsilon_{cpt}$$

Here θ_3 measures whether the logistics gradient is steeper within Latin America than elsewhere. Because the LPI varies only across countries, inference on θ requires care: with 13 Latin American countries, conventional cluster-robust standard errors can be misleading. The analysis therefore reports standard errors clustered by product and by country, leave-one-country-out estimates and a randomization-inference test that permutes LPI scores across Latin American countries 299 times and compares the observed coefficient with the permutation distribution (Young, 2019).

The identifying assumption is that, absent the tariffs, US imports of high- and low-exposure products would have evolved in parallel for each group of exporters relative to the comparison group. This is assessed with an event-study version of the model that replaces T_{pt} by the interaction of $\Delta\tau_p / 25$ with year dummies, using 2017 as the reference year. All models are estimated in Python with the pyfixest package (The PyFixest Authors, 2025), which implements the iteratively reweighted least-squares algorithm for PPML with high-dimensional fixed effects proposed by Correia et al. (2020). Baseline standard errors are clustered by HS6 product.

Three threats to this design deserve discussion. The first is anticipation. The tariff lists were proposed publicly several months before taking effect, and importers may have front-loaded purchases from China in 2018 or shifted orders in advance. Excluding 2018 from the baseline removes the period most affected by anticipation, and the event-study coefficients for 2018 indicate that any such adjustment was small relative to the post-2019 changes. The second threat is the product exclusion process, through which the USTR exempted specific products from the duties on request. Because exclusions were granted at a level more detailed than the HS6 product and were mostly temporary, they attenuate the measured treatment rather than bias it in a particular direction, which makes the estimates conservative.

The third threat is the 2022 revision of the Harmonized System, which changed some six-digit codes during the sample period. When a code disappears for all exporters, the corresponding product-year cell contains only zeros and is absorbed by the product-year fixed effect, so the revision reduces the number of informative observations after 2022 without creating a spurious differential between exporters. The robustness check that ends the sample in 2022 confirms that the results do not depend on the post-revision years.

6. Results

6.1 The decline of China and the response of Latin America

Figure 1 reports the event-study estimates for China and for the Latin American group. The coefficients for 2015, 2016 and 2018 are small and statistically insignificant for both groups, which supports the parallel-trends assumption: before the tariffs, and in the partial year in which they entered into force, imports of high- and low-exposure products evolved similarly. From 2019 onwards the coefficient for China falls to -0.45 and keeps declining to -0.88 in 2022, remaining around -0.8 in 2023–2024. This gradual deepening is consistent with the slow adjustment of sourcing relationships documented by Alfaro and Chor (2026) and Freund et al. (2024).

The Latin American coefficients follow China downwards rather than mirroring it. They become negative in 2019 (-0.14) and stabilise around -0.30 between 2020 and 2023, reaching -0.40 in 2024. If the region had absorbed a disproportionate share of the diverted demand, these coefficients would be positive. Instead, in the products most affected by the tariffs, US imports from Latin America grew less than imports from other non-Chinese suppliers of the same products.

Table 2 reports the pooled estimates and their robustness. In the baseline (2015–2024, excluding 2018), a full 25-point tariff reduces US imports from China by 51% relative to other suppliers ($\beta = -0.706$, s.e. 0.128) and imports from Latin America by 27% ($\beta = -0.319$, s.e. 0.110). Both coefficients are stable when 2018 is included, when 2025 is added, when the window ends in 2022 before the second tariff phase, when the sample is restricted to suppliers above US\$5 billion while keeping all Latin American countries, and when Mexico is removed from the Latin American group. A binary treatment for products with an average tariff increase of at least 12.5 points gives smaller but still significant coefficients for both groups. H1 is therefore supported for China but rejected for Latin America: the region did not capture a disproportionate share of the reallocation, and in tariffed products it lost ground relative to other suppliers.

The magnitudes are economically large. A coefficient of -0.32 implies that, in a product fully exposed to the tariffs, US imports from a Latin American exporter grew about 27% less after 2019 than imports of the same product from the average non-Chinese supplier. Because roughly two-thirds of US imports from China fell under the 2018–2019 lists, the products affected are not marginal but cover most manufactured goods in which China was a major supplier. Adding 2025 leaves the Latin American

coefficient practically unchanged (-0.348), even though the broad tariffs announced that year reduced the contrast between previously tariffed and untariffed products for China. This stability suggests that the regional result reflects the structure of the earlier reallocation rather than the turbulence of the second tariff phase.

Table 2
Tariff exposure and US imports from China and Latin America (PPML)

Specification	N	China	Latin America
Baseline (2015–2024, excl. 2018)	1,296,535	-0.706^{***} (0.128)	-0.319^{***} (0.110)
Including 2018	1,442,511	-0.707^{***} (0.123)	-0.313^{***} (0.097)
Including 2025	1,437,406	-0.678^{***} (0.143)	-0.348^{***} (0.116)
Window 2015–2022	1,014,745	-0.677^{***} (0.119)	-0.290^{***} (0.100)
Suppliers > US\$5 bn + all Latin America	1,047,555	-0.717^{***} (0.131)	-0.336^{***} (0.112)
Latin America excluding Mexico	1,296,535	-0.653^{***} (0.124)	-0.350^{**} (0.139)
Binary treatment ($\Delta\tau \geq 12.5$ pp)	1,297,363	-0.494^{***} (0.110)	-0.183^{**} (0.079)
<i>Note: Dependent variable is the value of US imports by exporter, HS6 product and year. All models include exporter×product, product×year and exporter×year fixed effects. Treatment is $(\Delta\tau/25) \times \text{Post}$ (Post = 2019 onwards); coefficients are relative to other non-Chinese suppliers. Standard errors clustered by HS6 product in parentheses. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.</i>			

6.2 Heterogeneity within Latin America

Table 3 splits the Latin American group. The coefficient for Mexico is -0.290 (s.e. 0.113), for Central America and the Dominican Republic -0.235 (s.e. 0.149) and for South America -0.522 (s.e. 0.183). Proximity therefore orders the coefficients in the expected way, with the nearshore economies doing better than South America, but none of the groups shows a positive differential. Vietnam, included as a benchmark, has a coefficient close to zero (-0.019), which indicates that relative to the average non-Chinese supplier it kept pace in tariffed products rather than outperforming them in this specification.

Table 3
Heterogeneity within Latin America (PPML, 2015–2024 excl. 2018)

Group / country	Coefficient	Std. error	p-value
Panel A. Sub-regions			
China	−0.705	0.136	0.000
Mexico	−0.290	0.113	0.010
Central America and Dominican Rep.	−0.235	0.149	0.113
South America	−0.522	0.183	0.004
Vietnam (benchmark)	−0.019	0.291	0.949
Panel B. Countries			
Mexico	−0.255	0.112	0.023
Guatemala	−0.719	0.313	0.022
El Salvador	−0.163	0.179	0.363
Honduras	−0.370	0.188	0.049
Nicaragua	−0.536	0.213	0.012
Costa Rica	−0.052	0.261	0.842
Dominican Republic	+ 0.190	0.160	0.235
Colombia	−1.084	0.304	0.000
Ecuador	−0.849	0.487	0.081
Peru	−1.347	0.534	0.012
Chile	−0.031	0.332	0.925
Brazil	−0.227	0.201	0.258
Argentina	+ 0.408	0.542	0.452
Vietnam (benchmark)	+ 0.026	0.297	0.931
Taiwan (benchmark)	+ 0.457	0.237	0.054
India (benchmark)	+ 0.165	0.148	0.263
<i>Note: Panel A and Panel B are separate regressions with the same fixed effects as Table 2 and N = 1,296,535. Standard errors clustered by HS6 product.</i>			

The country-level estimates in Table 3 reveal considerable dispersion. Colombia (− 1.08), Peru (− 1.35), Guatemala (− 0.72), Nicaragua (− 0.54) and Honduras (− 0.37) show large and significant relative

declines in tariffed products, while Chile (– 0.03), Costa Rica (– 0.05), Brazil (– 0.23), the Dominican Republic (+ 0.19) and Argentina (+ 0.41) are statistically indistinguishable from the comparison group. Taiwan (+ 0.46) is the only benchmark economy with a positive and marginally significant coefficient. H2 is supported in the sense that responses differ markedly across the region, but the ordering does not follow proximity: several Central American economies fare worse than Chile or Brazil.

6.3 Where did the diverted imports go?

Table 4 complements the regressions with descriptive shares. Products are divided into high exposure (average tariff increase of at least 20 points) and low exposure. In high-exposure products, China's share of US imports fell from 18.1% in 2017 to 8.1% in 2024, a loss of ten percentage points. Emerging Asian suppliers gained 6.3 points, rising from 10.7% to 17.0%. Mexico gained 2.2 points, from 16.9% to 19.1%, but it gained a similar 2.4 points in low-exposure products, where no tariff diverted demand. Central America and the Dominican Republic gained 0.2 points and South America lost 0.1 points. The descriptive pattern matches the regression results: the share freed by China in tariffed products went mainly to Asia, and Mexico's expansion was broad-based rather than concentrated in tariffed goods.

Table 4
Shares of US imports by supplier group and tariff exposure (%)

Group	Low exp. 2017	Low exp. 2024	High exp. 2017	High exp. 2024	Change (high)
China	29.8	20.8	18.1	8.1	–10.0
Emerging Asia	12.0	15.4	10.7	17.0	+ 6.3
Mexico	9.0	11.4	16.9	19.1	+ 2.2
Central America and Dominican Rep.	1.5	1.6	0.7	0.9	+ 0.2
South America	1.4	1.8	4.0	3.9	–0.1
Rest of sample	46.3	49.0	49.7	51.0	+ 1.3
<i>Note: High exposure = products with $\Delta\tau \geq 20$ percentage points. Shares are computed over the 73 suppliers in the estimation sample. Emerging Asia comprises Vietnam, Taiwan, India, Thailand, Malaysia, Indonesia, the Philippines, Bangladesh and Pakistan.</i>					

6.4 Does logistics performance explain who gained?

Table 5 reports the tests of H3. Across the 70 non-Chinese suppliers with LPI data, the interaction between the tariff treatment and the standardised 2016 LPI is small and insignificant ($\theta_1 = 0.058$, s.e. 0.064): exporters with better logistics did not capture more of the reallocation in general. In the pooled model with a separate Latin American gradient, the triple interaction is positive ($\theta_3 = 0.363$) and significant at the 5% level with product-clustered errors ($p = 0.030$), but only at the 10% level once errors are clustered by country (s.e. 0.216, $p = 0.094$).

Table 5
Logistics performance and the capture of tariff-driven reallocation

Model / test	Estimate	Std. error	p-value
(1) All non-Chinese suppliers: T × LPI (N = 70 countries)	0.058	0.064	0.366
(2) Pooled: T × LPI	−0.056	0.090	0.535
T × Latin America	−0.174	0.164	0.288
T × Latin America × LPI (clustered by product)	0.363	0.167	0.030
T × Latin America × LPI (clustered by country)	0.363	0.216	0.094
(3) Latin America only (13 countries): T × LPI 2014	0.098	0.057	0.087
T × LPI 2016	0.082	0.066	0.213
T × LPI 2018	0.121	0.077	0.117
(4) Leave-one-out, excluding Mexico (LPI 2016)	−0.005	0.157	0.972
Range when excluding any other country	0.026 to 0.127		
(5) Randomization inference, 299 permutations (LPI 2016)	0.082		0.441
<i>Note: LPI standardised within each estimation sample. All models include exporter×product, product×year and exporter×year fixed effects; years 2015–2024 excluding 2018. Unless stated otherwise, standard errors are clustered by HS6 product. The randomization p-value is two-sided.</i>			

Estimating the model on the 13 Latin American countries alone gives positive but insignificant coefficients with each edition of the LPI: 0.098 with the 2014 edition ($p = 0.087$), 0.082 with 2016 ($p = 0.213$) and 0.121 with 2018 ($p = 0.117$). The leave-one-out estimates show that the positive sign depends on Mexico: without Mexico the coefficient falls to -0.005 (s.e. 0.157), while dropping any other country leaves it between 0.03 and 0.13. Finally, the randomization-inference test, which compares the observed coefficient with the distribution obtained when LPI scores are randomly reassigned across the 13 countries, yields a two-sided p-value of 0.441. The evidence therefore does not support H3. Within Latin America, pre-shock logistics performance does not explain which exporters captured more of the tariff-driven reallocation.

7. Discussion

The results qualify a widespread expectation. Proximity to the United States, preferential access through trade agreements and the reliability that both are thought to provide did not translate into disproportionate gains for Latin American exporters when the Section 301 tariffs made Chinese products more expensive. In tariffed products, the region lost ground relative to other suppliers, and logistics performance did not distinguish the winners from the losers within the region.

Several mechanisms are consistent with these findings. The first is product composition. The first tariff waves targeted intermediate and capital goods, electronics components and machinery in which Asian economies already had established production networks connected to China (Ma et al., 2026; Ando et al., 2026; Freund et al., 2024). Firms relocating final assembly or sourcing could move within those networks at lower cost than they could build new supplier bases in Latin America. The case of South America illustrates the point. Because the lists covered many raw materials and processed resources, 77% of South America's 2017 exports to the United States were in high-exposure products, more than for any other group. But in most of those products China was a minor supplier, so the tariffs freed little demand there, while in the manufactured goods where China's withdrawal was large South American exporters had a small presence. Exposure on paper did not translate into opportunity.

The second mechanism is relationship stickiness. Sourcing relationships in differentiated goods involve specific investments and contracts that are costly to replicate (Nunn, 2007; Baldwin & Freeman, 2022). Multinationals de-couple selectively and often through intermediate steps, such as moving final assembly while keeping Chinese inputs (Liu et al., 2025; Freund et al., 2024). This favours locations where Chinese-linked suppliers already operate, which in 2018–2019 were mostly in Southeast Asia, over locations that require building a supply base from scratch.

The third mechanism concerns Mexico specifically. Mexico's exports to the United States grew strongly over the period, and the country became the largest source of US imports in 2023. The present estimates do not contradict that fact; they show that Mexico's growth was similar in tariffed and untariffed products and therefore cannot be attributed mainly to the 2018–2019 tariffs on China. This is compatible with Hannan and Wang (2026), who find short-run diversion towards Mexico in 2016–2020, because the comparison here is with other non-Chinese suppliers over a longer horizon, and because the exporter-year fixed effects absorb Mexico's broad-based expansion linked to North American integration, automotive production and the rules of origin of the USMCA (Mendoza Cota, 2021; Schatan Pérez, 2025).

The null result for logistics deserves careful reading. It does not mean that logistics is irrelevant to trade; the evidence that time and logistics costs matter is extensive (Hummels & Schaur, 2013; Djankov et al., 2010; Martí et al., 2014). It means that, among Latin American exporters and for this particular shock, differences in national logistics performance did not determine who captured diverted demand. Two explanations are plausible. The LPI is a national, perception-based index and may not capture the logistics conditions of the specific corridors, ports and border crossings that matter for each product (Xiao et al., 2022). And when the binding constraint is the absence of a competitive supply base in the relevant products, better logistics cannot compensate.

For international business strategy, the findings suggest caution about location narratives. Proximity and connectivity are relevant location advantages, but in the first large test of tariff-driven reallocation they were not sufficient to attract sourcing away from China. Firms evaluating nearshoring investments should give weight to the existence of supplier networks and to product-level comparative advantage, not only to distance and logistics indices. For policymakers in Latin America, the results imply that

waiting for diverted demand to arrive is not a strategy. The countries that held their ground are not ordered by their logistics scores: Costa Rica and the Dominican Republic, both in the lower half of the regional LPI distribution, performed as well as Chile, which has the highest score, while Colombia, with a similar score to the Dominican Republic, lost heavily. What they already exported, and to whom they were already connected, appears to matter more.

The findings also bear on how international business research conceptualises location choice under geopolitical pressure. Discussions of friend-shoring and geoeconomic fragmentation often assume that political alignment and proximity will reorganise supply chains along regional lines (Gopinath et al., 2025; Ji, 2026). The evidence here suggests that, at least in the first years after a large tariff shock, reallocation followed existing production networks more than geography or alignment. Firms appear to have chosen the path of least adjustment cost, which ran through economies already integrated with Chinese suppliers. This is consistent with the view that protectionism reshapes international business through cumulative and selective adjustments rather than sudden relocations (Evenett, 2019; Liu et al., 2025), and it implies that the strategic value of a location depends on its embeddedness in the relevant supplier networks as much as on its distance to the final market.

For Latin American governments, the policy implication is not that logistics investment is unimportant but that it is unlikely to be sufficient on its own. Trade facilitation reduces the cost of exporting goods a country already produces; it does not create the supplier base needed to compete in the products that China ceased to supply. Policies that attract anchor investments and their suppliers, develop industrial clusters in the relevant product categories, and reduce the uncertainty that discourages relationship-specific investment are more likely to determine whether the region benefits from future rounds of reallocation. The heterogeneity of the country estimates, with similar logistics scores associated with very different outcomes, points in the same direction.

The analysis has limitations. The data record country of origin as declared to US customs and cannot detect transshipment or the relabelling of Chinese goods through third countries, which may inflate apparent gains for some Asian suppliers. The six-digit product level aggregates heterogeneous goods, and the continuous exposure measure assigns partial treatment to products in which only some lines were tariffed. The comparison group is all other major suppliers, so the estimates are relative and do not measure absolute gains. The logistics analysis relies on 13 countries, which limits statistical power, although the randomization test and the leave-one-out estimates indicate that the null result is not an artefact of a few observations. Finally, the period after 2024 is affected by new tariffs on most US partners, which are not the subject of this study.

8. Conclusion

This article asked whether Latin America captured the US imports diverted from China by the Section 301 tariffs of 2018–2019, and whether logistics performance explains which countries in the region benefited. Using product-level US import data for 2015–2025, the original tariff lists and a PPML design

with high-dimensional fixed effects, it finds that China's exports of tariffed products fell by about half relative to other suppliers, with flat pre-trends. Latin American exporters did not capture a disproportionate share of that reallocation. In tariffed products their US sales fell by about 27% relative to other non-Chinese suppliers, a result that holds for Mexico, Central America and South America and survives a range of robustness checks.

Within the region, the response was heterogeneous, but neither proximity nor pre-shock logistics performance explains the pattern. The logistics gradient is positive but imprecise, depends on Mexico and is not distinguishable from zero under randomization inference. The share of US imports given up by China in tariffed products went mainly to emerging Asian suppliers that were already part of Chinese production networks.

These findings refine rather than contradict the evidence that Mexico has become the leading source of US imports. Mexico's growth was real and large, but it was broad-based: the country gained a similar share in products that the tariffs did not touch, which points to North American integration and sector-specific investment rather than tariff-driven diversion. For the rest of the region, and especially for South America, the reallocation largely passed by. The results are robust to the choice of window, to the inclusion of the transition year and of 2025, to the size threshold for suppliers and to the definition of treatment, and the null result for logistics holds under conventional, clustered and randomization-based inference.

The broader lesson is that location advantages emphasised in nearshoring narratives are not, on their own, sufficient to attract reallocated sourcing. Future research could use firm-level and transaction-level data to examine the role of supplier networks, measure corridor-specific logistics conditions rather than national indices, and study whether the broader tariffs of 2025 alter the relative position of Latin America now that its exporters are themselves subject to US duties.

Declarations

Competing interests.

The author declares no competing interests.

Ethics approval.

Not applicable. The study uses only publicly available aggregate trade statistics and official documents.

Declarations of generative AI use.

The author used Claude Opus 5.5 (Anthropic) during the preparation of this article. In the literature review (Sections 2–3), the tool assisted in screening Scopus export files and in drafting summaries of

studies that the author had selected. In the data and methods (Sections 4–5), it was used to write and debug the download scripts and the Python estimation code, all of which were executed on the original public data and checked against published totals. In the results and discussion (Sections 6–8), it assisted in drafting text from estimates produced by that code. The tool was used to accelerate coding and drafting. The author reviewed and verified all code, data, references, results and text, and takes full responsibility for the content of the article.

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Author contributions.

A. A. Merlet Echavarría conceived the study, designed the empirical strategy, supervised data collection and validation, interpreted the results and wrote and approved the manuscript.

Data availability.

All data used in this study are publicly available from their original sources: US import statistics from the US Census Bureau International Trade API, the Section 301 tariff notices published in the Federal Register (83 FR 28710, 83 FR 40823, 83 FR 47974 and 84 FR 43304) and the Logistics Performance Index from the World Bank. The processed panel, the tariff-exposure measure by product, the download scripts with their SHA-256 manifests and all estimation code are deposited together with this article in Zenodo (<https://doi.org/10.5281/zenodo.23222058>).

Code availability.

The Python code that reproduces every table and figure is included in the same Zenodo record (<https://doi.org/10.5281/zenodo.23222058>).

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Figures

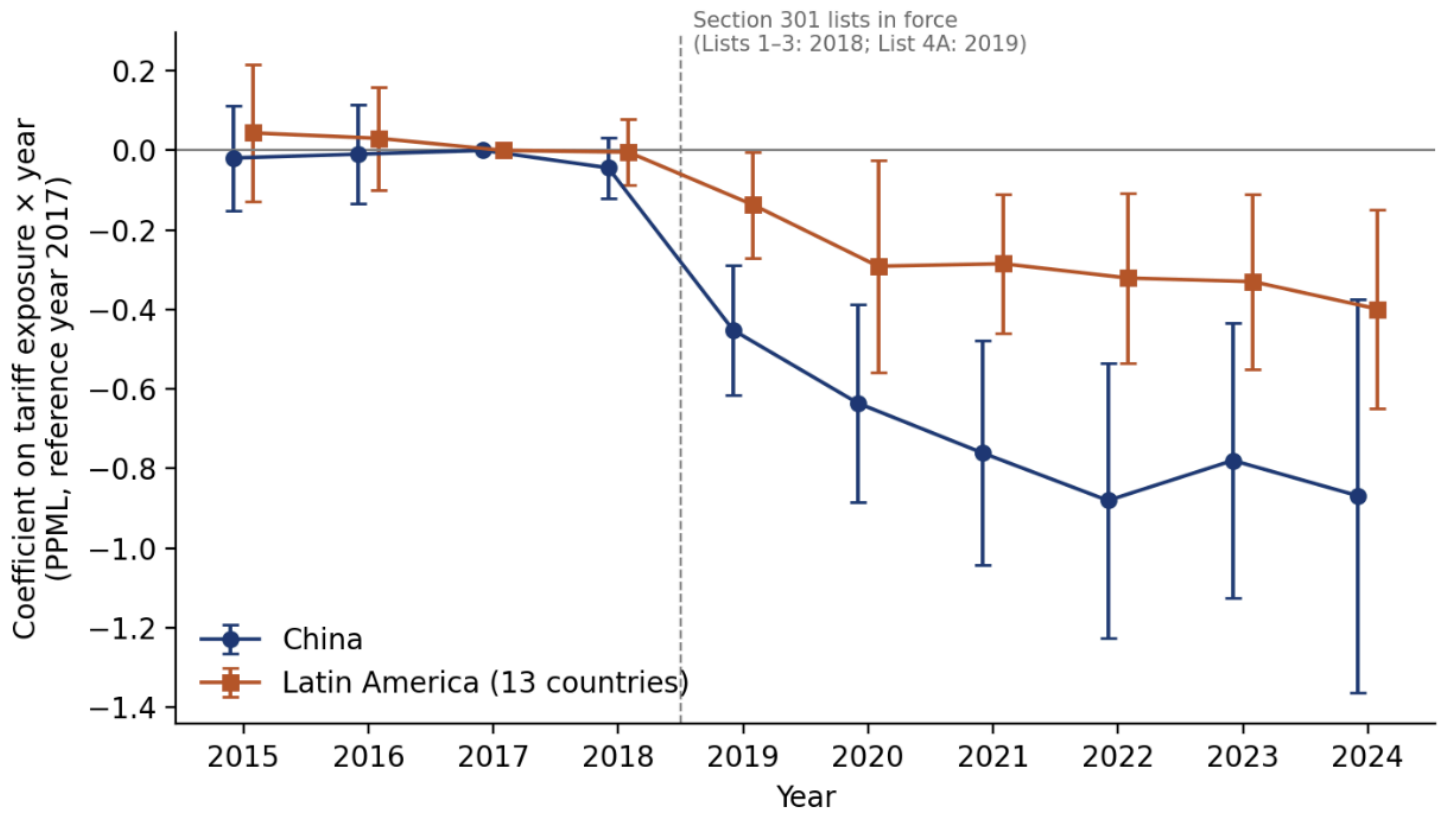


Figure 1

Event-study estimates: tariff exposure and US imports from China and Latin America. *Coefficients on $(\Delta\tau/25) \times \text{year}$ for each group relative to other non-Chinese suppliers, PPML with exporter $\times$ product, product $\times$ year and exporter $\times$ year fixed effects; 2015–2024; reference year 2017; 95% confidence intervals with standard errors clustered by HS6 product.*