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Tariffs and Trade: Unpacking the Economic Ripple Effects of U.S. Tariffs on Africa

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ABSTRACT

This economic note examines the macroeconomic implications of U.S. tariffs imposed on African countries. It finds that these tariffs could push up inflation, reduce exports, and negatively impact employment and GDP growth across the continent. Tariffs, ubiquitously applied, range from 50% in some countries to 18% in others, affecting development outcomes in regions with high poverty rates (38-45%) and modest economic growth. The initial effects of tariffs include impacts on exports and job markets, while secondary effects could weaken currencies if the dollar strengthens. Key importers of U.S. food like Nigeria, Egypt, and South Africa may pass increased costs to consumers, driving up prices. The economic note suggests that African countries may seek alternative trade partners and accelerate the implementation of the African Continental Free Trade Area (AfCFTA) to mitigate these effects. Policy recommendations include negotiating more acceptable trade terms with the U.S. and improving domestic revenue mobilization. Investments in infrastructure are also crucial for reducing trade costs and fostering regional integration. The study concludes that while U.S. tariffs pose risks to African economies, they could also spur intra-regional trade and the operationalization of the AfCFTA.

Keywords: Trade Policy, U.S. Tariffs, Global Economy, Protectionism, Trade Wars, International Trade, Economic Impact, Global Supply Chain, Emerging Markets, Export and Import Policy.

Introduction

President Donald Trump has imposed scathing tariffs on the world, implementing a campaign promise that will push inflation up, slump GDP, postpone investments, and complicate the lives of many central bankers if inflation rises too high. For Africa, the implications of new tariffs will be contingent on a few factors such as the diversification of local economies, the level of foreign exchange reserves, and the level of integration with regional economies. Tariffs have been ubiquitously applied in all African countries ranging from 50% for Mauritius to 18% for Zimbabwe. The tariffs that have been implemented in African countries will have profound development implications on development outcomes. Across all the counties that have been tariffed, the average rate of poverty is estimated at 38-45%, economic growth has averaged 4% over the last decade and while inflation is falling, it nonetheless remains high.

Tariffs will have a set of implications; the first-round effects will impact exports and the job market while the second-round effects could weaken currencies if the dollar strengthens. Several authors find a strong correlation between inflation, standard of living, and quality of life in developing countries. In fact, multidimensional poverty is higher than in most regions and this could worsen if tariffs are imposed as intended.

Tariffs Will Cause Inflation to Rise Across Sub-Saharan Africa

Tariffs cause prices to rise (Carlsson-Szlezak et al, 2025 & Boer and Rieth, 2024). As Africa exited the COVID-19 pandemic, inflation rose dramatically, driven by a mix of domestic policies and international commodity prices. Since 2022, inflation has been driven up by rising food and energy prices. Meanwhile, inflation rose dramatically in the CEMAC region as the government withdrew fuel sub-

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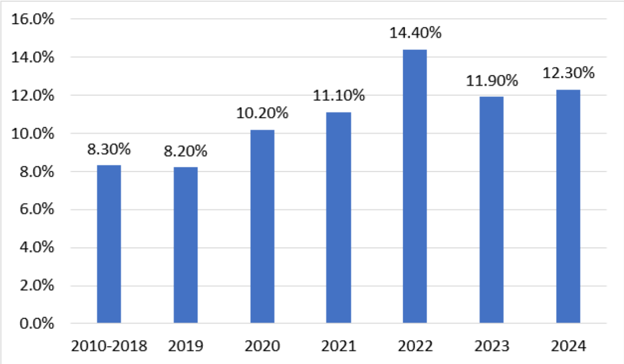
sidies, causing prices of transport to rise by 25% between 2023 and 2024. As a result of these increases, inflation has become entrenched for local food products, which will continue to drive inflation going forward. Figure 1 illustrates that Africa's inflation averaged 8.3% between 2010 – 2018 and rose 10.2% in 2020, 11.1% in 2021 and 14% and 11.9% respectively in 2022 and 2023.



Source: Authors from IMF

Figure 1: Inflation in Africa is falling, but tariffs could raise them again (%)

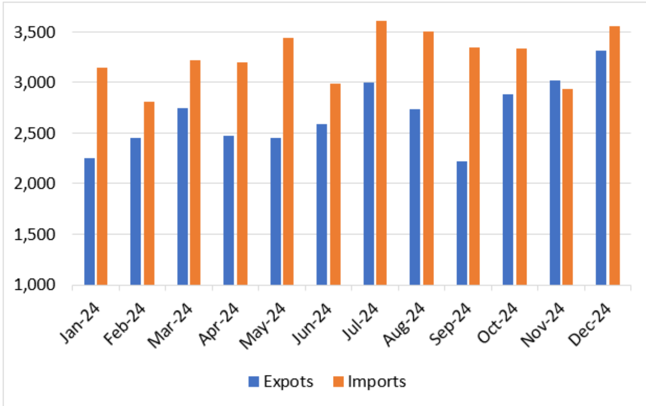
The blanket 10% tariff will negatively impact U.S. consumers. However, if African countries unilaterally react to rising U.S. tariffs instead of negotiations, this could push up inflation. Furthermore, higher tariffs on Africa's top five importers of U.S. food products could push up prices across the continent. The top five importers of U.S. food in Africa include Nigeria ($2.1 billion of rice, wheat, poultry, and dairy products), Egypt ($1.8 billion of wheat corn, and soybeans), South Africa ($1.5 billion of processed foods, wheat and maize), Kenya ($0.9 billion of wheat, maize and processed products) and Morocco ($0.8 billion worth of cereals, meat, and dairy products). While consumers will likely find alternatives from other markets such as Europe and Africa, importers in these countries will likely pass on some or all of the additional cost to consumers, pushing up prices further.

Secondly, if farm inputs in the U.S. become more expensive, this could increase the cost of food that is exported to Africa. A mix of resilient growth and continuing domestic price pressures could accentuate the impact of tariffs, especially in countries that import dramatically from the U.S. Due to the uncertain nature of tariffs and the implications for supply chains, local food production, wage growth, and economic growth; it is certain inflation will rise, but the extent across Africa will be heterogenous. Furthermore, 22% of Africa's trade happens with China, so we must not overstate the inflationary impacts of tariffs on Africa even as tariffs are nonetheless inflationary.

In summary, higher tariffs can impact Africa in two ways. If African countries respond with counter-tariffs to increase the cost of trade by tightening non-tariff barriers, the prices of U.S. imports could increase. Secondly, if farm inputs become expensive due to tariffs, U.S. farmers may simply pass this tax on to African consumers. Africa's food deficit and reliance on U.S. agricultural imports can induce higher prices, however small (Kouam, 2021). Against the backdrop of tariffs, countries find themselves close to the edge.

U.S. Tariffs will Hit Africa's Exports Hard and Dwindle Employment

Lesotho, a major exporter of textiles to the U.S. faces 50% tariffs and a 10% increase is still detrimental to the small export-oriented economy. Lesotho's trade minister, Mokhethi Shelile noted that 11 factories supply the American market and employ about 12,000 people – representing 42% of total employment in the textile industry.



Source: Census.gov

Figure 2: Africa has a trade deficit with the United States (Million, $)

As outlined in Figure 2, Africa imports more than it exports to the U.S. This has been consistent over the last ten years, where Africa has consistently imported more than it exports. So, in theory, the U.S. surplus warrants more consideration for Africa. While Africa generally has higher tariffs imposed on U.S. imports, the value of U.S. imports into Africa is generally food and expensive cars, which undoubtedly provide the U.S. with an advantage. It is rare to find an African fame that can compete with a developed and subsidized farmer in the United States and outcompete them in their local market. The agricultural deficit in Africa is present and evident in food security concerns becoming more acute when prices rise.

While a 30% tariff in South Africa could impact GDP somewhat, the agriculture and vehicle sector will be most impacted as 10% of South African vehicles are exported to the U.S. Meanwhile, the Citrus Growers Association of Southern Africa has warned that tariffs will impact 35,000 citrus-related jobs in the country. Meanwhile, a 10% tariff on Kenya, Ghana, Ethiopia, Tanzania, Uganda, Senegal, and Liberia will slow exports and impact economic growth.

Unlike other regions where the private sector employs a great deal of people, Africa's private sector employs fewer people than most other regions, leaving its workers exposed to U.S. tariffs. We should note that Africa's workforce is mostly comprised of young people with 70% of Africans aged below 30 years old (United Nations, 2025). With youth unemployment estimated at 20%, higher tariffs could slow exports, and executives will cut employees first in a bid to save costs. Furthermore, digitization and smart factories pose a risk to employment as they limit repetitive jobs that have been the boon for employment of the manufacturing sector across the world.

A percentage of GDP was estimated at 23.5% (WITS, 2025), even as the continent accounts for less than 2% of total U.S. trade. In 2024, data from the U.S. Trade Representative shows that U.S. total goods trade with Africa stood at $71.6 billion, which included $32.1 billion of U.S. exports to Africa and $39.5 billion in U.S. goods imports from Africa. Africa's deficit with the U.S. has averaged $8 million between 2022 and 2024 (Census, 2025).

Development Implications of U.S. Tariffs

Africa is the least developed continent on the planet with high debt levels, poverty rates, and structural challenges linked to both micro and macro factors. While efforts have been made to advance economic development across the continent, progress has been slow and was reversed after the COVID-19 pandemic (Kouam, 2021). One should note that 123 million people in Africa are food insecure and borrowing costs are rising (Kouam & Kouam, 2022). By defunding U.S. aid, Africa faces significant funding gaps in healthcare and education as vital projects such as PEPFAR have helped reduce HIV aids infection across the continent. While it is clear that governments must invest more in their healthcare systems and reach the 6% agreed in the Abuja Treaty, tariffs in addition to a reduction in aid will have detrimental effects on economic development.

U.S. tariffs on Africa will slow exports, employment, and GDP growth. While U.S. tariffs will not automatically cause inflation, second-round effects driven by higher input costs for U.S. manufacturers could increase the prices of their products in international markets – including Africa. Furthermore, African countries face a toxic cocktail of low-value exports, rising borrowing costs, and higher interest payments that limit fiscal space that allows them to adjust or respond to exogenous factors.

Furthermore, African countries will likely accelerate trade with other countries and regions as they find new markets abroad that impose fewer tariffs. In addition to this, the African Continental Free Trade Area (AfCFTA) is operational and African states will now accelerate its implementation to insulate their value chains from externally imposed tariffs. However, it is important to move beyond policies and laws to action. Countries must invest in regional infrastructure, and train port and trade officials on how to implement the AfCFTA locally while creating more opportunities for businesses.

Policy Recommendations

Rather than engage in unilateral tariffds, the African government should negotiate for more acceptable terms with the United States. Tariffs in some countries are indeed exceedingly high, but U.S. competitiveness cannot adjust to the new global environment where wages are cheaper abroad than in the United States while its highly innovative and competitive economy is causing firms to digitize faster, limiting the use of more U.S. workers in manufacturing. Nevertheless, it should be clear that tariffs are an important revenue-generating measure for African countries.

It is time to accelerate the improvements in domestic revenue mobilization. Stock and bond markets should be more accessible to firms to enable them expand and generate stable returns. In the CEMAC region for example, the BVMAC is accessible to investors but greater financial education is necessary across the continent. If business is able to raise money, they will expand and enter new markets.

Digital and physical infrastructure require carefully calibrated investments to reduce the cost of trade across Africa. For example, the 25000 km border between the Economic and Monetary Community for Central Africa (CEMAC) requires a minimum of 500 - 1000 km worth of roads per year. Faster integration is only possible if there is a greater focus on infrastructure development. As per Kouam and Mua (2024), innovation should underpin the development of both physical and digital infrastructure to enable African countries to effectively leapfrog.

African countries should begin invoicing trade between themselves in their own domestic currencies (Kouam, 2020). This will improve their resilience to dollar-induced shocks when the greenback appreciates during periods of economic policy uncertainty. Furthermore, developing countries in Africa are heavily dollarized, facing a situation where even Chinese-owned external debt is denominated in dollars. As such, it is imperative that African counties begin leveraging the Pan African payment System (PAPS) to facilitate trade between themselves. The PAPSS is designed to reduce the costs of cross-border payments within Africa by about $5 billion annually. This suggests that the system itself may have associated costs, but the main benefit is the reduction in transaction fees and other expenses compared to current systems (AFREXIMBANK, 2024).

Conclusion

The decision of the Trump Administration to impose unilateral tariffs on all African countries will hurt inflation, exports, employment, and GDP growth. Higher tariffs will reduce the competitiveness of products that are manufactured across Africa and raise the cost of U.S. consumers. However small, value chains could shift from the U.S. to other markets are investors and entrepreneurs chase trade policy uncertainty even as the U.S. is a rich and sophisticated market. This economic note finds that tariffs will adversely impact the U.S. economy, but this could accelerate intra-regional trade and the operationalization of the African Continental Free Trade Area (AfCFTA).

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