July, 2025

The GLOCEPS

Special Focus

Research Focus: Development and Innovation Pillar

Trump Global Tariffs and Economic Repercussions for East Africa

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In early April 2025, President Donald Trump implemented a raft of global tariffs under the "Liberation Day" executive orders. These orders targeting over 180 countries, including East African nations such as Kenya, Uganda, Tanzania, Rwanda, the Democratic Republic of Congo, and Ethiopia illustrate the United States' prioritization of trade tariffs in its geopolitical, geo-commercial, and foreign policy arsenal. While these tariffs were initially expected to retaliate against the US's major geopolitical and trading allies and rivals like China, India, the EU, and Japan, the extension to developing economies like East Africa has raised concerns about their effects on the region's economic exposure and stability. These actions have been undertaken despite the Africa Growth and Opportunity Act (AGOA) being operational until September 2025, and additional safeguards under the World Trade Organizations (WTO) agreement.

Potential WTO rules violations of Article II of GATT 1994 that requires members not to impose tariffs exceeding the "bound rates" made during trade negotiations, and the Most-Favored-Nation (MFN) principle that mandates that any trade advantage granted to one WTO member must be extended to all other members. Moreover, Special and Differential Treatment (S&D) safeguards developing countries from tariffs that disproportionately impact them due to their unique challenges.

This commentary examines the background of Trump's tariffs and the impact on AGOA. Additionally, it explores the potential safeguards for East Africa and the geopolitical and economic repercussions of the tariff measures.

Trump's global "Liberation Day" Tariffs

President Trump's tariffs are rooted in his administration's belief that reciprocal tariffs are necessary to counter what they perceive as unfair trade practices. Under these policies, countries imposing high tariffs on US goods face equivalent tariffs on their exports to the US. These tariffs are structured in two tiers. First, the US has imposed a baseline 10% tariff on all countries not covered by specific trade agreements. Second is the higher "customized" tariffs for "worst offenders". For instance, China faces 54% tariffs, Vietnam 46%, and South Africa 30%. East African countries like Kenya, Uganda, Tanzania, and Rwanda are subjected to the baseline tariff. This is despite being covered under the AGOA trade agreement. The Trump tariffs reflect a counter to the regional countries' tariffs on US goods. For instance, the US states that Kenya and Tanzania impose 10% tariffs on US imports while Uganda imposes 20%.

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Trump administration's rationale centers on addressing trade imbalances and protecting US domestic jobs and manufacturing industries. President Trump argues that VAT systems in many countries, like Kenya's 16% for VAT, disadvantage US exporters by making their goods more expensive in foreign countries while allowing those countries' exports to enter the US duty-free under programs like AGOA for at lower reciprocal rates. Thus, the US global tariffs are positioned to level the playing field and promote domestic job growth in the US. Equally, the global tariffs are pursued as a motivation for companies like Apple and Amazon to shift their production bases back to the United States.

Impact on AGOA Implementation

In 2020, the US and Africa negotiated and enacted the AGOA agreement. For 25 years, AGOA has served as the cornerstone for US-Africa trade relations, including in East Africa. The Act grants African countries duty-free access to the US market for over 6,000 products.

While East Africa's trade with the US is modest, it remains significant in the region. Kenya, the region's largest economy is estimated to export goods valued at USD 807 million to the US. Likewise, Uganda and Tanzania also rely on the US for critical manufacturing and medical supplies while exporting agricultural products like coffee and tea.

However, Trump's tariffs undermine the AGOA implementation by imposing a 10% baseline tariff on East African exports to the US. For Kenya, this tariff threatens its Ksh 109.7 billion (USD 784 million) export to the US, particularly in key sectors like textile, tea, and coffee. Kenya's pharmaceutical exports valued at USD 157 million are exposed to these tariffs. Similar to other East African member states, their products have long enjoyed tariff exemptions under AGOA.

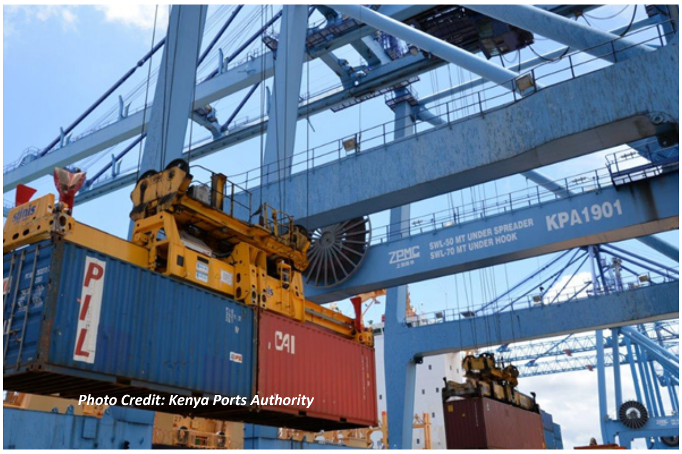

Photo Credit: Kenya Ports Authority

The Trump tariffs are expected to ignite global trade wars and retaliations. For East Africa, this portends to the reduction of export volumes, potential job losses, and strained businesses reliant on the US market. For instance, Kenya's textile industry which employs over 100,000 people could see reduced demand as US imports seek cheaper alternatives. Uganda's coffee export valued at USD 500 million annually may face higher costs thus impacting rural livelihoods.

While AGOA is set to expire in September 2025, the premature imposition of tariffs signals a shift towards more protectionist US trade policies, that are more likely to be adopted by the EU and G7 countries. Action by the Trump administration will potentially hasten the end of benefits and opportunities under AGOA while setting a difficult negotiation phase for AGOA's extension.

Potential Safeguards for East Africa

In light of Trump's global tariffs, robust safeguards are needed to mitigate their long-term impacts. This long-term strategy orientation is aligned with the United States' dynamism of mainstreaming similar policies across both the Republican and Democrat-led administrations. Global tariffs will become a mainstay of the US economic and foreign policy.

East African countries can prioritize strategies that promote trading partner diversification, including regional and continental trade integration. The region should leverage trading frameworks like the Common Market for Eastern and Southern Africa (COMESA) and the African Continental Free Trade Area (AfCFTA) to deepen inter- and intra-regional trade. Currently, intra-African trade is estimated to account for only 17% of Africa's total trade. This falls far below the global average of 50-60% intra-regional trade, meaning prosperous countries trade more with their neighbors and regions.

By addressing regional and continental trade deficits, East Africa can reduce reliance on the US market. This trade can be enhanced through tariff reductions and improved logistics.

East Africa should prioritize trade partnerships to include the EU, China and ASEAN. This dynamism is aligned with trading trends where emerging and developing economies, particularly within BRICs+ are undertaking trade outside the G7 frameworks. This trend reflects a diversification of trade relations and markets. Key trading products are varied from raw materials, energy resources and manufactured goods. Likewise, these is a greater move towards local currency settlements to reduce or eliminate reliance on the dollar. The East African region should partake of this shift in its desire for greater economic autonomy by diversifying more from traditional US-controlled G7-centric trade structures.


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Global Reactions and Implications for East Africa

Major trading countries and blocs are likely to retaliate against Trump's tariffs. This will potentially create a cycle of escalating and unpredictable trade tensions and relations. China, the EU, and Japan may impose retaliatory tariffs on US goods or potentially disrupt global supply chains.

For East Africa, this could have missed effects. For instance, escalating tariffs could raise global commodity prices which will have a destabilizing effect on the region's import-dependent economies. Similarly, retaliatory measures by major economies might further isolate East Africa if it remains overly reliant on the US financial and product market. Conversations on collective retaliation punishment are rife. For instance, the Trump administration indicated the potential to impose a "secondary tariff" on countries like China and India that buy oil from Russia, which is a

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petroleum competitor to the US. Similarly, the Trump administration threatened a 100% tariff on countries that try to move away from trading using the US dollar.

While the region's ability to retaliate is hampered by its trade tendencies and dollar-denominated debt exposures, it can pivot towards regional and continental integration, trade diversification, and industrialization for the digital and green industries. This approach will position member states of East Africa to mitigate the impacts of these tariffs and thrive in a post-AGOA era. This path forward requires bold leadership, strategic and mutually beneficial continental and global partnerships, and a commitment to economic resilience. As the global trade landscape shifts, the region's ability to adapt will determine its success and positioning in the increasingly protectionist world.

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