



AFRICAN NARRATIVES

South Africa's Economy Under Pressure: Projecting the Impact of Renewed US Tariffs



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Abstract

This study analyzes the potential impact of new US tariffs, projected for implementation in 2025, on the economies of Southern Africa, with a particular focus on South Africa. The proposed tariffs would exert direct pressure on African exports in key sectors and threaten jobs in countries like Lesotho, Madagascar, and Mauritius.

The resulting uncertainty over the future of the African Growth and Opportunity Act (AGOA) would increase economic fragility, compelling African nations to accelerate the search for alternative markets and stimulate regional trade through the African Continental Free Trade Area (AfCFTA).

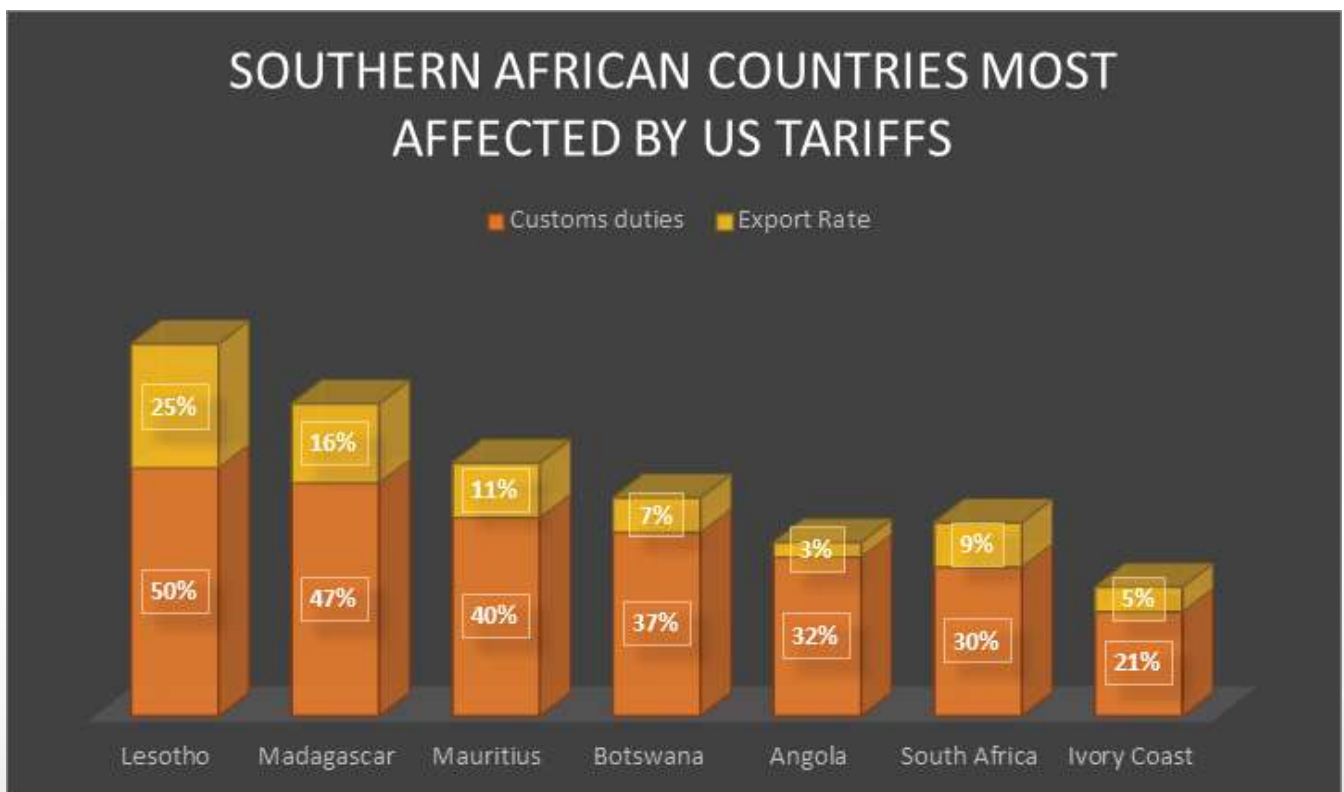
TARIFFS

Main Points

Amid rising global geopolitical tensions, this paper examines a potential future scenario in which a new US administration under Donald Trump imposes significant tariffs on imports from African countries, effective August 7, 2025. This hypothetical measure, framed as an effort to correct the US trade deficit and revive domestic manufacturing, would impose "reciprocal" tariffs as high as 30% on African goods, a move announced by Trump on April 2, 2025, as "Liberation Day."

Under this scenario, US tariffs—taxes imposed on imported goods—would be calculated based on the US trade deficit with each country. Consequently, 29 African nations would face a "basic" tariff of 10%, while 22 others would face tariffs of up to 50% on nearly all products, with the exception of a few essential base metals. The figure below highlights the Southern African countries that would be most affected by such a policy shift.

Figure 1: Southern African Countries Most Affected by Potential US Tariffs



Source: Anne Soy, BBC News, "Trump's tariffs could be death knell for US-Africa trade pact."

This paper will analyze the projected economic losses and potential strategic opportunities that

these tariffs would create for the economies of Southern Africa.

I. Projected Economic Losses and Disruptions

The proposed US tariffs would result in significant direct and indirect losses for the economies of Southern Africa.

A. Direct Impacts on South Africa's Economy

- **Declining Exports to the US:** The implementation of new tariffs would directly threaten the benefits of the African Growth and Opportunity Act (AGOA), which has provided duty-free access to US markets since 2015. Under AGOA, African exports to the US have grown from \$28 billion in 2000 to \$40 billion in 2024. The new tariffs would reverse this progress, making African goods less competitive and leading to a sharp decline in exports.

- **Rising Inflation:** As a tax on imports, tariffs increase the cost of both intermediate and final goods. This would contribute to higher prices for consumers in South Africa and other African nations, fueling inflation.

- **Reduced Profit Margins for Exporters:** Tariffs would squeeze the profit margins of small and medium-sized exporters. Even if US retailers absorb a portion of the cost and a weaker local currency offsets some of the impact, the tariffs would ultimately lower the competitiveness and profitability of African businesses.

- **Key Sectors Under Threat:** Medium- to high-technology sectors, such as South Africa's automotive industry, would be particularly vulnerable. This industry, led by multinational corpora-

tions, relies on a global production footprint and access to international markets. Tariffs could suddenly render a cost-effective manufacturing location unprofitable, threatening investment and jobs.

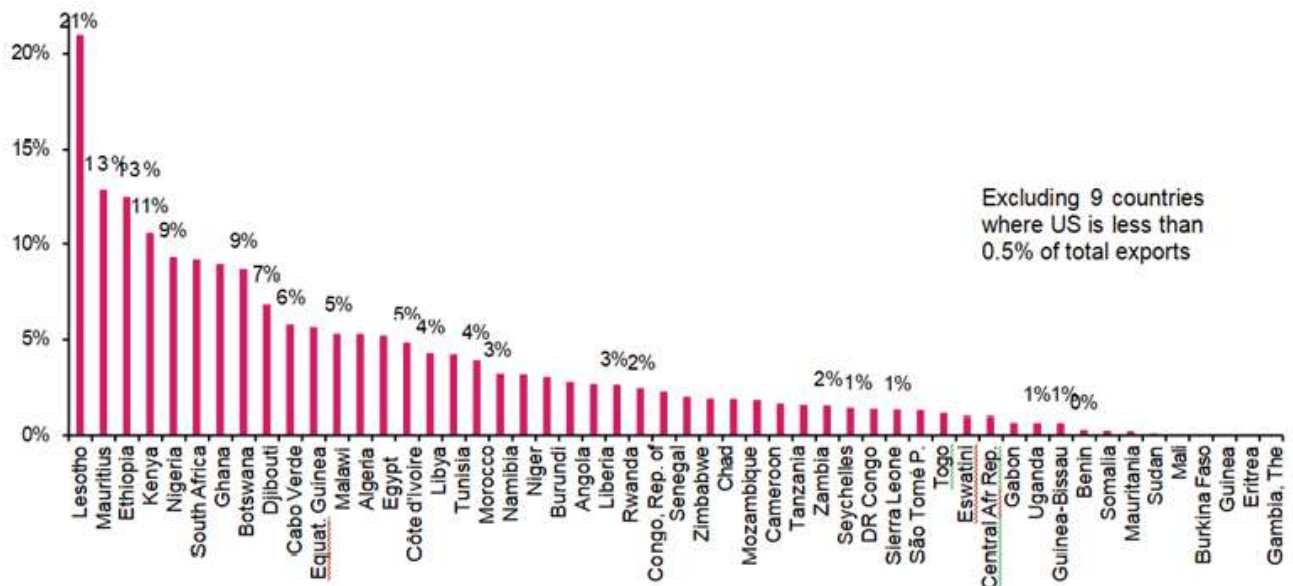
- **Supply Chain Restructuring:** For economies like South Africa that have developed a substantial industrial base by attracting foreign investment and tapping into US and European demand, tariffs pose a significant threat. They could trigger a restructuring of global supply chains as companies seek to avoid the new costs, potentially leading to de-investment from the region.

B. Indirect Geopolitical and Trade Repercussions

- **Heightened US-China Trade Tensions:** The tariffs would likely exacerbate the trade war between the United States and China, creating significant risks for African countries dependent on Chinese commodities and investment. In contrast to the US's protectionist stance, China has actively encouraged trade with Africa, eliminating tariffs on products from 33 African countries in December 2024.

- **Increased Economic Vulnerability:** The US tariffs would highlight South Africa's economic vulnerability, particularly its reliance on other major partners like the European Union, which accounts for approximately 20% of its exports. A trade shock with the US could have ripple effects, negatively impacting South Africa's overall trade balance and economic stability.

Figure 2: African Exports to China as a Percentage of Total Exports in 2023



Source: CNBC Africa, "The African Continent is (relatively) immune to Trump's tariffs."

II. Potential Strategic Opportunities and Policy Responses

While the tariffs would create significant challenges, they would also act as a catalyst for strategic shifts in African trade policy.

- **Diversification of Trade Partners:**

Faced with high tariffs in the US market, African countries would be incentivized to accelerate trade with other regions and find new markets abroad. This would necessitate a coordinated African effort to jointly negotiate with Washington for a renewal of AGOA or its replacement with more durable bilateral agreements.

- **Accelerating Regional Integration via AfCFTA:** The tariffs would provide a powerful

impetus for the implementation of the African Continental Free Trade Area (AfCFTA). Launched in 2021, the AfCFTA aims to create a single continental market, and its full activation would help protect African value chains from external shocks and tariffs.

However, realizing this potential requires moving beyond policy to concrete action. African nations must invest in regional infrastructure, train port and trade officials on AfCFTA implementation, and eliminate intra-regional barriers to transform the continent into an integrated and resilient economic bloc.





Conclusion

The imposition of new US tariffs in 2025 would represent a fundamental shift in the US-Africa trade relationship, leading to a decline in export competitiveness and significant losses in key sectors for Southern African economies. This scenario underscores the urgent need for African nations to activate the African Continental Free Trade Area (AfCFTA) and diversify their global trading partners.

The implications also highlight the importance of developing more flexible industrial and trade policies and enhancing local value-added to ensure sustainable economic growth and reduce reliance on external preferential treatment. Ultimately, confronting these tariffs could represent a critical juncture, forcing a strategic reshaping of African economic policies toward greater self-reliance and sustainable growth.

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