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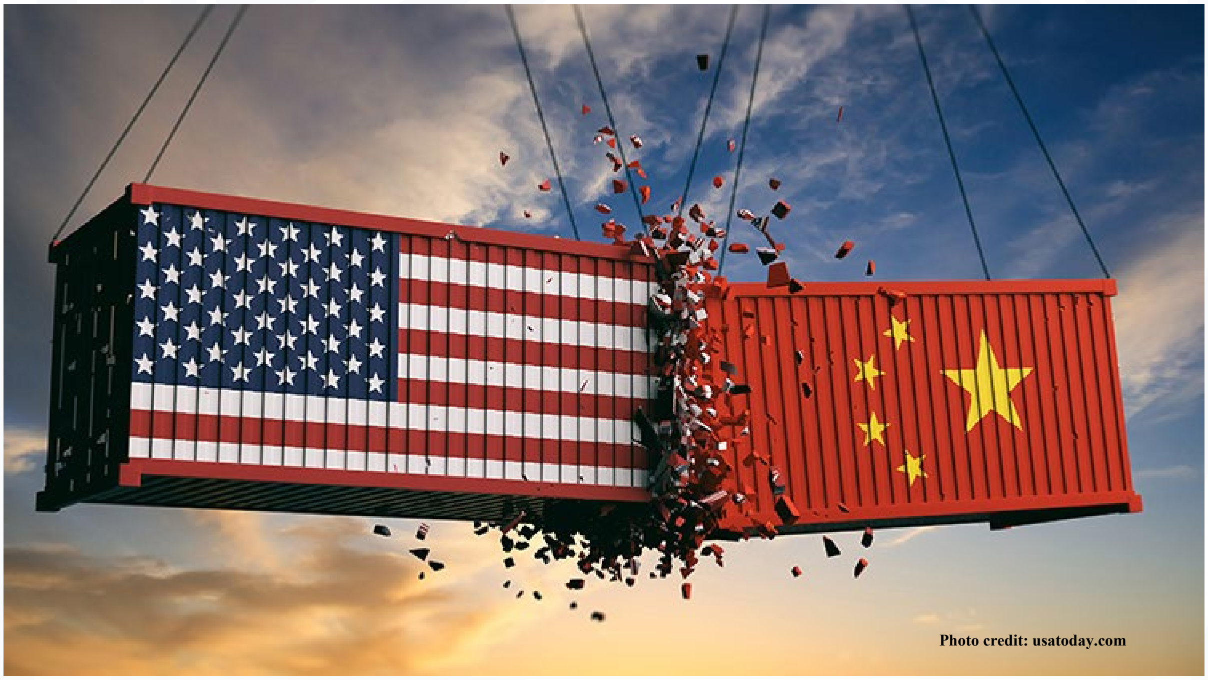
Navigating the Trade Turbulence: The Impact of US-China Tariff Wars on Regional Economies in East Africa

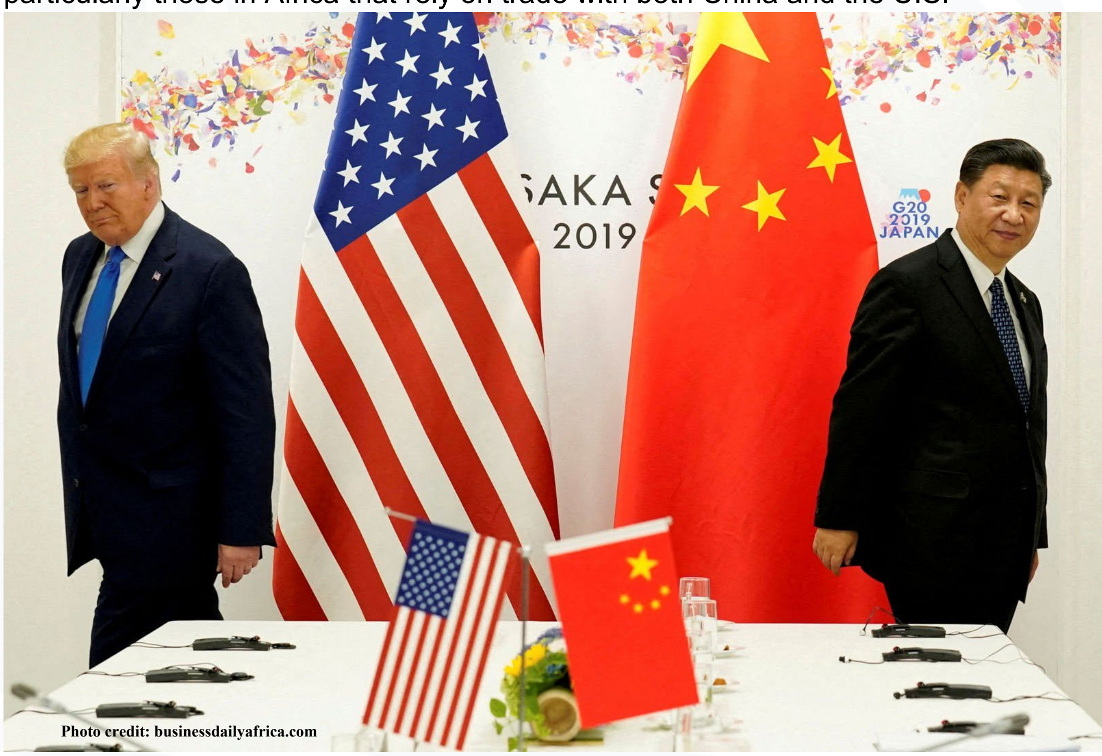


By Felistus Kandia, MRPC Researcher

On February 1, 2025, President Donald Trump re-imposed a 10% tariff on all Chinese imports, citing national security concerns under the International Emergency Economic Powers Act (IEEPA), reinstating his aggressive trade policies. In retaliation, China imposed 15% tariffs on U.S. coal and liquefied natural gas and 10% tariffs on crude oil, agricultural machinery, and large-engine vehicles. The escalation did not stop there. Still on the same month, Trump announced an additional 25% tariff on steel and aluminum imports, expanding protectionist measures beyond China. In March 2025, China countered with $21 billion in retaliatory tariffs on U.S. agricultural and food products, further intensifying trade tensions.

Notably, the U.S.-China trade war originated in 2018 under President Donald Trump, marking a shift toward protectionism aimed at reducing the trade deficit and addressing perceived unfair trade practices by China. However, under President Joe Biden, the aggressive escalation of tariffs slowed as the administration prioritized multilateral diplomacy and strategic economic assessments. These renewed hostilities between the world's two largest economies have sent shockwaves through global markets, with East African nations experiencing potential significant economic spillovers.

The escalation of the US-China tariff war and the resurgence of protectionist policies have strained relations between the two economic superpowers, while simultaneously placing emerging markets, particularly East African markets, in a vulnerable position. As the United States doubles down on its America First Trade Policy, new tariffs, trade restrictions, and economic interventions are reshaping global trade flows. While much of the attention has been on the direct effects on China and U.S. industries, an often-overlooked consequence is the collateral impact it has on developing economies, particularly those in Africa that rely on trade with both China and the U.S.



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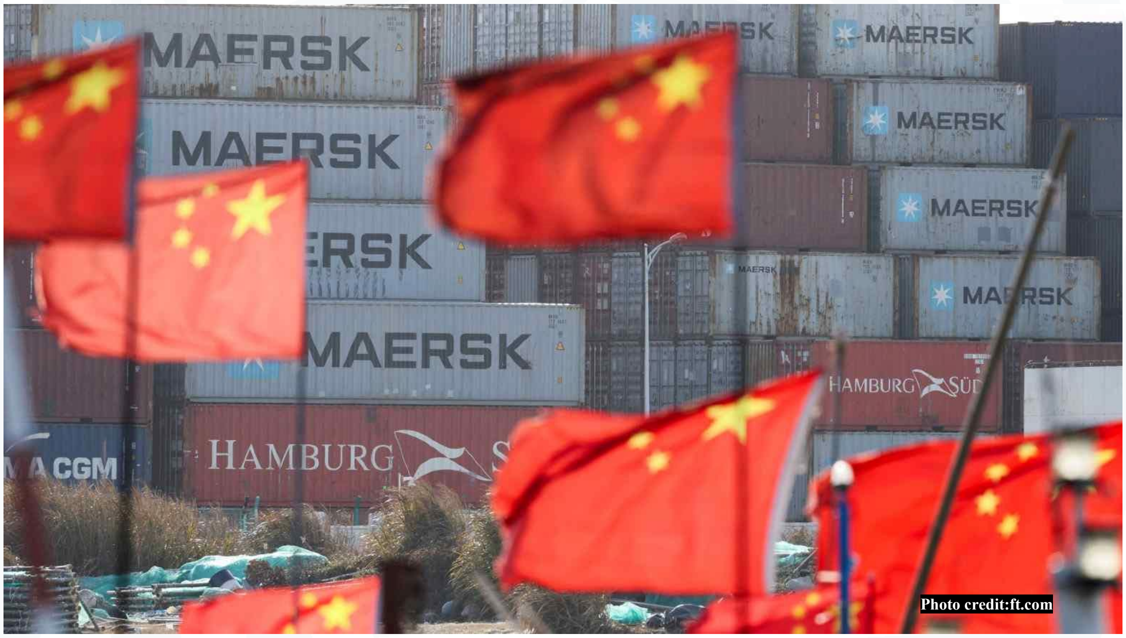
This commentary seeks to analyze the economic implications of the escalating tariff war on East African economies, examining the challenges posed by projected import cost increases, potential supply chain disruptions, anticipated shifts in FDI trends, and economic realignment. It further explores strategic responses that East African nations could adopt to mitigate risks and capitalize on emerging opportunities for long-term economic resilience.

The Shift toward Protectionism

The return of aggressive tariff policies marks a significant departure from the post-World War II free trade consensus, which was built on the premise that globalization fosters economic growth and stability. Historically, the United States has played a key role in shaping this system, from the General Agreement on Tariffs and Trade (GATT) signed in 1947 to the World Trade Organization (WTO) established in 1995. However, the Trump administration's renewed push for tariffs signals a growing rejection of globalization in favor of national economic self-reliance.

This shift toward protectionism is expected to strain US-China relations significantly, with potential spillover effects on developing regions, particularly East Africa. As tariff escalation disrupts global supply chains and alters trade flows, East African economies are likely to become increasingly vulnerable to rising import costs and inflationary pressures. If Chinese exporters continue to face barriers in the U.S. market, they may seek alternative destinations for surplus products, including African economies, potentially resulting in market saturation and volatile pricing.

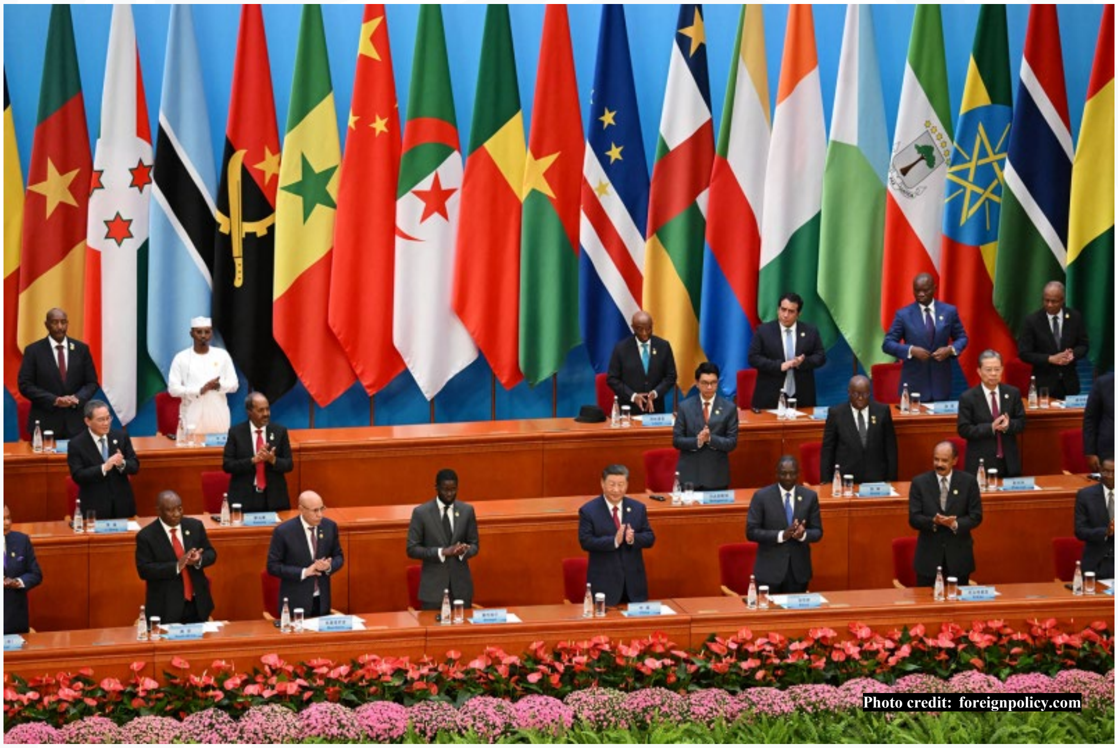


Moreover, East Africa could experience a decline in foreign direct investment (FDI) from both the U.S. and China as these superpowers increasingly redirect economic resources toward domestic priorities. Such a realignment of global economic strategies could prompt countries to prioritize self-sufficiency and local production over reliance on international supply chains. While proponents of tariffs argue that such measures help reduce trade deficits and support domestic industries, critics caution that they may inadvertently lead to higher consumer prices, increased production costs, and disruptions to global trade efficiency.

For East Africa, these anticipated dynamics could erode purchasing power, raise the cost of living, and hinder industrialization efforts, particularly if infrastructure investments slow down due to shifting FDI patterns. In light of these potential developments, a critical question arises: how will East African economies navigate the looming ripple effects of a US-China trade war they did not initiate but must now contend with?

East Africa's Position in the Trade War

The intensifying U.S.-China trade war has placed East African economies in a precarious yet opportunistic position. As global trade flows shift due to escalating tariffs, East Africa must navigate the economic spillovers from two of its largest economic partners. While the immediate risks include higher import costs and disrupted foreign direct investment (FDI) patterns, there is also the potential for increased trade with China and new investments in local manufacturing as global firms seek alternative production hubs. The evolving geopolitical tensions between the U.S. and China are reshaping trade dynamics in East Africa, necessitating a strategic response from policymakers to harness emerging opportunities while mitigating risks.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A major consequence of the U.S-China trade conflict is China's renewed focus on Africa as an alternative trade and investment destination. Historically, China has played a significant role in East Africa's economic development, particularly through large-scale infrastructure projects under the Belt and Road Initiative (BRI). With the imposition of new U.S tariffs on Chinese goods, China is expected to deepen its trade and investment engagements with East Africa. For instance, China is currently negotiating the rehabilitation and operation of Zambia's Tazara railway, a key transport corridor originally built during Mao Zedong's era, underscoring its commitment to enhancing trade logistics in the region (Financial Times, 2025). Furthermore, China is pivoting towards Africa for the export of green technologies, particularly in renewable energy. In an upcoming China-Africa summit, Beijing is expected to promote its solar panels, electric vehicles, and other sustainable technologies to African nations as part of its strategic realignment in response to Western trade restrictions (Reuters, 2024). These developments indicate that while the U.S.-China trade tensions may disrupt global markets, they could present East Africa with expanded access to Chinese markets, increased technology transfers, and greater infrastructure funding.

Beyond trade, the shifting global supply chain landscape is positioning East Africa as a viable alternative manufacturing hub for companies seeking to reduce dependence on China. With the U.S. imposing additional tariffs on Chinese exports, multinational corporations are looking for new production bases to evade rising costs. Ethiopia, for example, has emerged as an attractive destination for solar cell production. Japan’s TOYO Co. Ltd, recently announced plans to construct a 2-gigawatt solar cell manufacturing facility in Hawassa, Ethiopia, to supply its upcoming solar panel production plant in the United States. This investment is largely driven by the U.S.’s decision to impose tariffs on solar imports from several Southeast Asian countries, making Africa a more competitive option (Reuters, 2024). Similarly, in the textile industry, Benin is investing €550 million to develop a “farm to fashion” value chain, shifting from raw cotton exports to domestic textile production. This industrial policy mirrors successful strategies employed by Ethiopia and Mauritius, which have leveraged textile manufacturing to drive economic growth (Financial Times, 2025). With this, it is evident that the trade war is prompting realignment in global manufacturing, with East Africa poised to benefit from new investments in light manufacturing, textiles, and renewable energy sectors.

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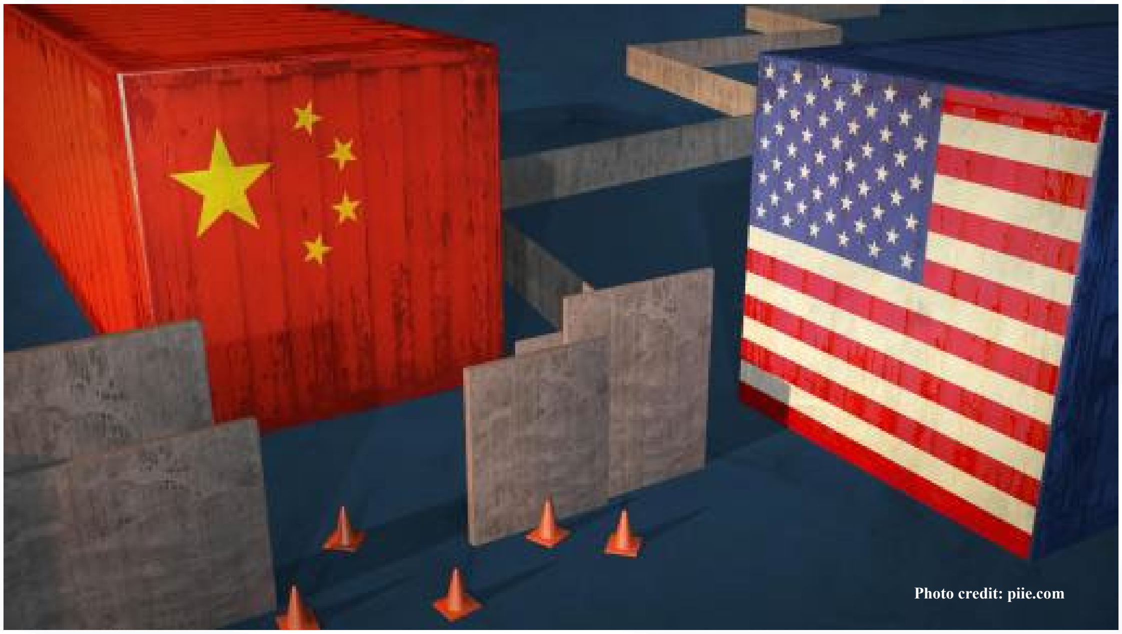
Higher Import Costs and Inflationary Pressures

A key consequence of the tariff war is the increased cost of imports, particularly for nations heavily dependent on Chinese-manufactured goods. As Chinese goods face higher tariffs in the U.S., Chinese exporters have sought alternative markets to absorb their surplus production. This has led to an initial influx of lower-cost Chinese products into Africa, but the effects may not be sustainable. Over time, Chinese manufacturers may transfer rising costs onto buyers, leading to higher consumer prices.

This pattern is consistent with historical tariff trends, where initial cost absorption by producers eventually results in inflationary pressures. In East Africa, where a substantial portion of consumer goods—including textiles, electronics, and agricultural equipment—are imported from China, this could exacerbate inflation, erode purchasing power, and increase the cost of living for consumers. Furthermore, as global trade routes adjust to new tariffs, shipping costs are expected to rise, further contributing to price instability in East African markets.

China and US Foreign Direct Investment (FDI) and Economic Realignment in East Africa

China has historically been the largest investor in East African infrastructure, but rising economic pressures from U.S. tariffs have forced Beijing to reassess its external investments. According to the China-Africa Economic Report (2025), Chinese FDI in Africa declined by 6.3% in 2024, reflecting a reduction in large-scale infrastructure financing. This trend could result in delays or cancellations of critical development projects, undermining industrialization efforts in the region.



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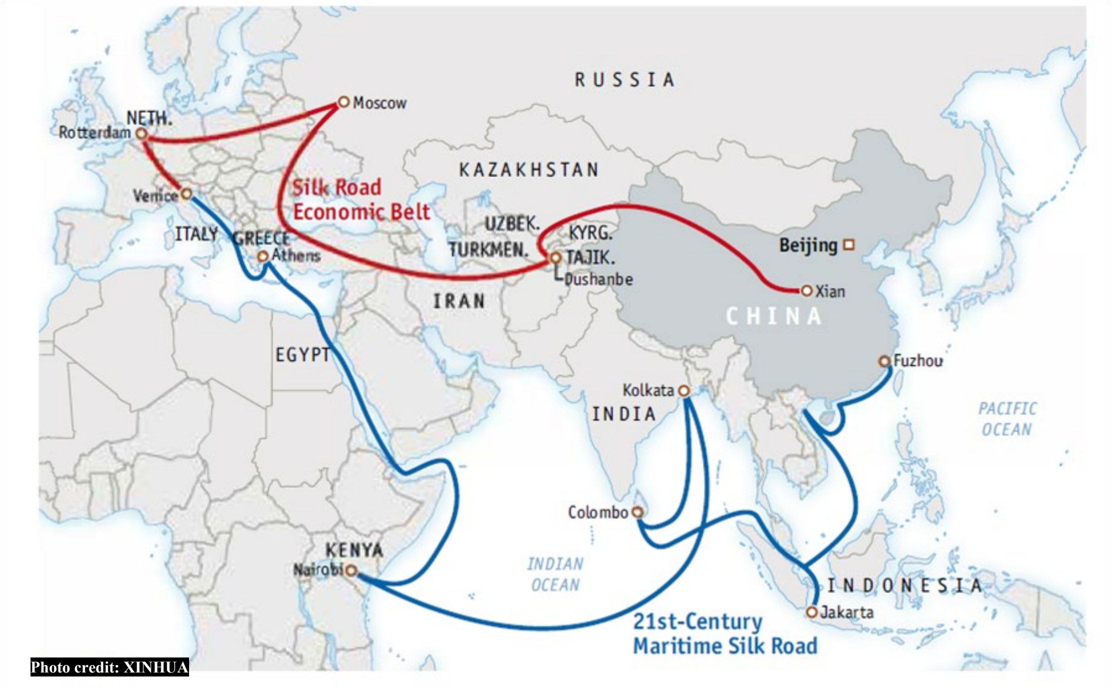
Meanwhile, the United States has increased its economic engagement with Africa, largely in response to China's dominance. The U.S. International Development Finance Corporation (DFC) recently announced a $5 billion investment fund aimed at African infrastructure and energy projects. While this move signals Washington's commitment to strengthening trade ties with Africa, the realignment of FDI flows will take time to materialize, leaving East Africa in a period of economic uncertainty.

Conclusion and Strategic Responses

The US-China tariff war is not just a bilateral conflict, but has global ramifications with East Africa caught in the economic crossfire. Rising import costs, supply chain disruptions, declining FDI, and inflationary pressures pose significant challenges. However, history has demonstrated that strategic economic policies can transform external shocks into long-term opportunities. By prioritizing industrial diversification, regional integration, and trade resilience, East African economies can mitigate external risks and position themselves for sustainable growth in an evolving global trade environment.



To mitigate the negative consequences of this tarrif war, East African governments should enhance regional integration through the African Continental Free Trade Area (AfCFTA) to reduce reliance on external markets. Strengthening domestic manufacturing will be crucial in reducing dependence on Chinese imports, requiring policy incentives, tax reliefs, and industrial funding. Additionally, diversifying trade partnerships beyond China and the U.S. by engaging Europe, India, and Southeast Asia will reduce economic vulnerability. Finally, the East Africa governments should focus on currency stability and inflation control through prudent monetary policies and forex stabilization mechanisms to counteract the adverse effects of rising import costs.

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