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RESEARCH PAPER

AFRICAN MACROECONOMICS UNDER TRUMP 2.0

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The return of President Donald Trump could significantly impact macroeconomic policy in Africa. The effects may vary across the continent. Nations that remain neutral towards U.S. influence are likely to benefit, while those aligned with the U.S.'s rivals or lacking immediate economic advantages may be deprioritized in U.S. foreign policy. In this article, we examine the channels through which U.S. policies and the change in political discourse could affect macroeconomic policies in Africa.

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I. INTRODUCTION

In the wake of his election win, the Trump 2.0 presidency is already impacting U.S. aid and, consequently, the social-spending allocations of several African countries. This is another shock adding up to the pitfalls of the previous overlapping shocks. The African continent is emerging from the repercussions of the COVID-19 pandemic and is grappling with ongoing geopolitical tensions in Ukraine and the Middle East, high debt levels, and constrained financial conditions.

In this context, the economic policies associated with the Trump 2.0 administration are set to significantly impact African growth trajectories. How will the Trump 2.0 presidency affect African economies? This article provides insights into the potential macroeconomic effects on these economies. It analyzes the direct and indirect channels through which they may be affected and how policymakers could adapt their strategies to navigate this new political landscape.

The Trump administration could increase global macroeconomic instability, impacting African economies through volatile exchange rates and altered trade dynamics. While fiscal stimulus may provide short-term growth, it also poses the risk of higher national debt and inflation, raising African borrowing costs. Tariffs and elevated U.S. interest rates could harm African currencies and capital flows. Immigration policies might limit remittances in the medium run, and cuts to U.S. foreign aid could hinder development efforts, especially in social programs. Trump's return creates a complex global landscape, presenting persistent challenges for African economies in trade dynamics and fiscal stability. This necessitates careful navigation and calibration by African policymakers to maximize potential benefits.

African economies should adopt proactive strategies to mitigate risks and seize opportunities under Trump 2.0. These include seeking alternative funding sources, diversifying trade with non-traditional partners, and implementing sustainable borrowing practices. Investing in local production could enhance self-reliance and promote exports. Utilizing frameworks such as the African Continental Free Trade Area (AfCFTA), the U.S. African Growth and Opportunity Act (AGOA), and the Proposer African initiative (if maintained) could stimulate growth and provide trade preferences. Building partnerships with U.S. organizations may facilitate technology transfer and investment.

The remainder of this article is structured as follows: section 2 reviews the policy outcomes of Trump 2.0 and summarizes the policies from the Trump 1.0 era. Section 3 analyzes the proposed policies of Trump 2.0. Sections 4 to 6 explore the potential spillover effects of Trump 2.0’s policies on African countries. Section 7 presents a series of policy perspectives and implications for African policymakers, while section 8 concludes the paper.

II. KEY POLICY ISSUES AND EXPECTATIONS OF TRUMP 2.0

A. Deregulation Efforts

Deregulation is a key policy area in President Trump's framework. During Trump 1.0, efforts focused on reducing financial regulations and weakening environmental protections, raising concerns about climate change. In Trump 2.0, deregulation is expected to continue in financial services, particularly in relation to cryptocurrency. It may include cuts to U.S. Environmental Protection Agency (EPA) funding and repealing of Securities and Exchange Commission (SEC) climate-risk disclosure requirements.

B. Policy Mix Under Trump 2.0

Republicans have continuously championed reduced corporate taxation, higher defense spending, and entitlement cuts. Under Trump 1.0, efforts focused on lowering taxes through the 2017 Tax Cuts and Jobs Act (TCJA) and boosting defense spending. These policies exacerbated fiscal deficits and increased the national debt. Trump 2.0 proposes further tax reductions and reductions in discretionary spending, particularly for wage bills and social programs, as seen in the first moves by the Department of Government Efficiency (DOGE), while maintaining significant defense and infrastructure investments. Budget analysts estimate these policies are unbalanced and could increase U.S. deficits by $3.6 trillion to $6.6 trillion over the next decade (Figure 1). U.S. foreign assistance is at risk of significant reduction. A few days after taking office, the Trump administration implemented a freeze on almost all U.S. foreign aid pending review.

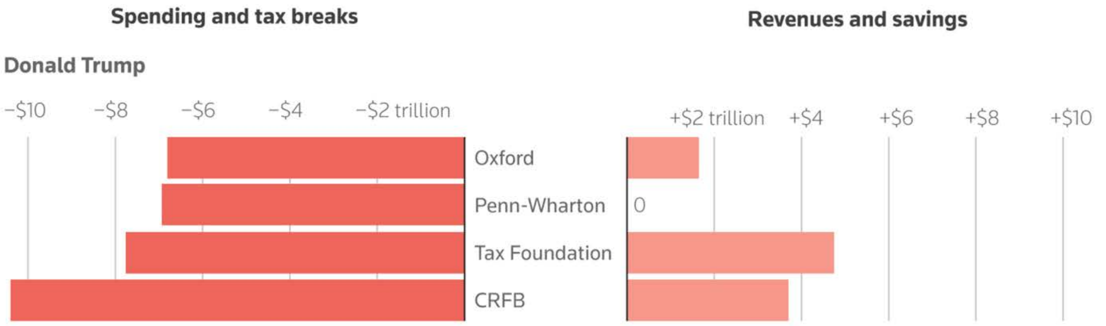
Trump 2.0 may also pose significant challenges to the independence and credibility of the Federal Reserve. Trump 1.0 frequently criticized the Fed and advocated for lower interest rates to stimulate economic growth despite the potential risks of inflation resulting from his expansionary fiscal policies and trade tensions. Trump 2.0 will likely continue supporting a dovish monetary policy to maintain low interest rates and boost the economy and equity markets. While the President cannot directly control the Fed, he could influence the appointment of its Chair. The term of the current Chair, Jerome Powell, ends on May 15, 2026. With the harsh rhetoric from the executive branch and a Republican sweep in the elections, there is a significant risk of appointing a politically motivated Chair. Such an appointment could jeopardize the Fed's ability to address inflation effectively.

Figure 1

Fiscal Plan Under Trump 2.0

Donald Trump's Fiscal Plan

Projected 10-year costs and revenues from proposed spending, tax cuts, and increases and import tariffs compared to Congressional Budget Office baseline forecasts.



Note: Latest forecasts as of November 4, from Wharton and Oxford exclude planned tariffs and are based on static budget scoring, not accounting for debt service or economic growth effects.
Source: Reuters based on the Penn-Wharton Budget Model, the Committee for a Responsible Federal Budget (CRFB), the Tax Foundation and Oxford Economics. https://www.reuters.com/markets/us/how-harris-trumps-tax-spending-plans-affect-us-debt-2024-09-10/

C. Trade policy

Trump 1.0's "America First" agenda focused on reducing trade deficits. He imposed tariffs (mainly against China), prioritized bilateral deals over multilateral agreements (renegotiating the North American Free Trade Agreement and exiting the Trans-Pacific Partnership), and promoted economic nationalism by reshoring some production segments. Trump 2.0 is expected to pursue protectionist policies. Enhancements to the United States-Mexico-Canada Agreement (USMCA) aim to strengthen protections for American labor in the automotive and agricultural sectors. Potential tariffs on steel and aluminum have also been announced, though relief may be considered for affected industries. Strategies such as friend-shoring and reshoring are set to move supply chains to allied nations.

D. Immigration policy

The Trump 2.0 administration plans to reinstate immigration policies from Trump 1.0. This includes constructing the border wall, enforcing legal and illegal immigration restrictions, and reinstating 'Safe Third Country' agreements. The strategy for 2025 includes large-scale deportations, a military presence at the border, expanded ICE (Immigration and Customs Enforcement) raids, and the repeal of protections for migrant children. Both active-duty military and National Guard units would assist in apprehending and deporting unauthorized migrants, while proposals also include ending birthright citizenship for children of undocumented parents. Although focused on restrictions, Trump has suggested granting automatic Green Cards to noncitizen graduates from U.S. higher-education institutions.

E. Climate Policy

Under the Trump 2.0 administration, a rollback of environmental regulations, particularly those in the Inflation Reduction Act (IRA), is expected. The focus will likely shift towards curtailing renewable-energy subsidies and expanding fossil-fuel exports, framed as initiatives for economic growth and lower energy costs. Trump 1.0 has withdrawn the U.S. from the Paris Agreement and is minimizing its commitments under the United Nations climate framework. A notable cut in climate financing for developing nations is likely, reducing America's role in global climate efforts. Regarding domestic energy policy, the Trump 2.0 administration plans to increase fossil fuel production through deregulation and increased drilling on federal lands. However, a substantial increase in output seems improbable given current market dynamics—the U.S. is already achieving record levels of crude oil production, while energy companies are predominantly prioritizing stock buybacks and dividends over new capital investments in production capacity.

III. MACROECONOMIC EFFECTS OF TRUMPONOMICS 2.0

The ramifications of U.S. macroeconomic policies are multifaceted, encompassing the costs associated with geopolitical tensions, the impacts of the proposed Trump 2.0 fiscal package, and the underlying dynamics influencing the U.S. dollar.

A. Costs of Geopolitical Tensions for Africa

Trump's foreign policy could be unpredictable, particularly in international conflicts and trade disputes. In Trump 2.0.'s first 100 days in office, we witnessed a spark in trade uncertainty, as measured in Figure 2. This unpredictability has the potential to increase global uncertainty and escalate geopolitical tensions. The uncertainties in the global arena could significantly impact African economies in three main ways: fluctuations in exchange rates, volatility in commodity prices, and changing trade dynamics (Figure 3).

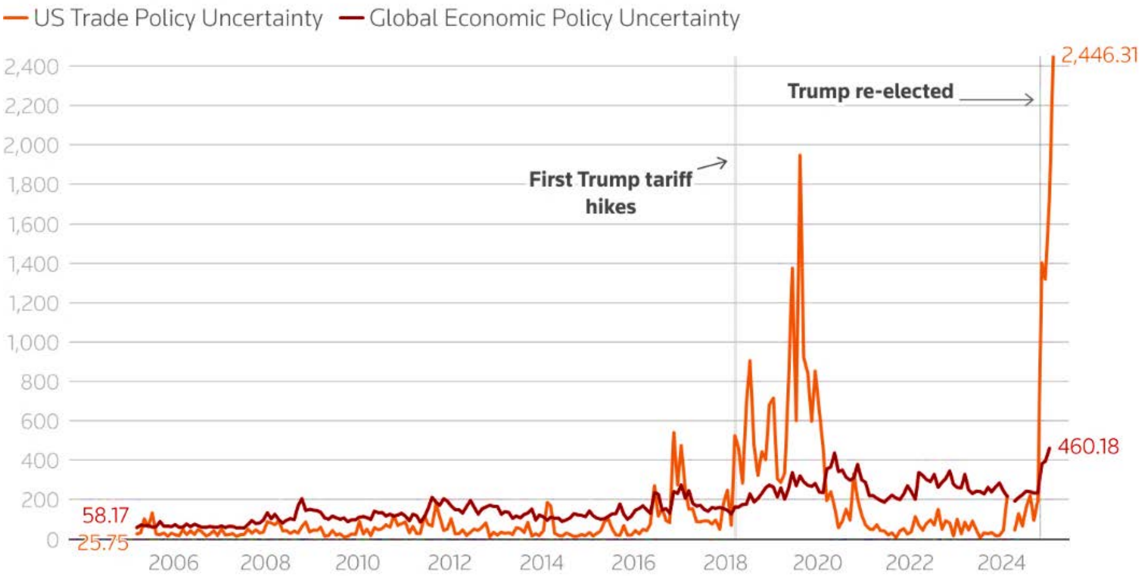
- *Exchange Rate Fluctuations.* In a volatile global environment, investors are likely to gravitate towards the currencies of larger economies with robust fiscal policies, leading to depreciation pressures on currencies in emerging markets, including many African nations.

- *Commodity Price Volatility.* Geopolitical instability often translates into increased demand for tangible safe-haven assets such as gold, driving up prices. Additionally, tensions in hydrocarbon-rich regions frequently cause significant price volatility in energy markets. This volatility could adversely affect the economies of African countries that rely heavily on stable energy prices and exports.

- *Shifting Trade Dynamics.* Geopolitical events could disrupt trade flows, significantly impacting global supply chains critical to many African economies. Such disruptions could have cascading effects, hindering economic growth and stability across the continent.

Figure 2

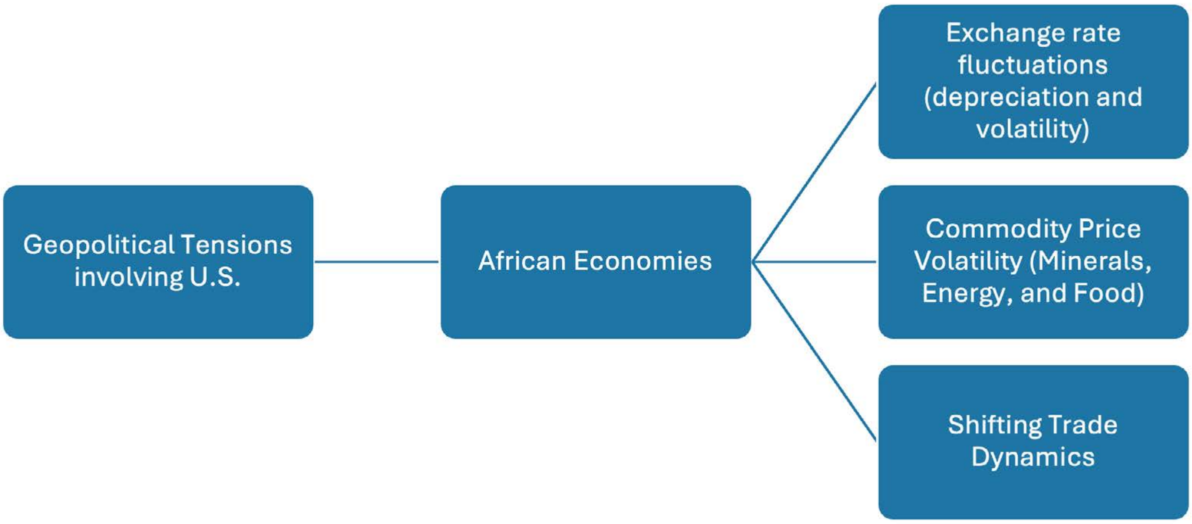
Trump 2.0 and Policy Uncertainty



Source: Author based on https://www.reuters.com/markets/us/global-markets-view-usa-2025-03-10/.

Figure 3

The Effects of Geopolitical Uncertainty on African Economies



Source: Author.

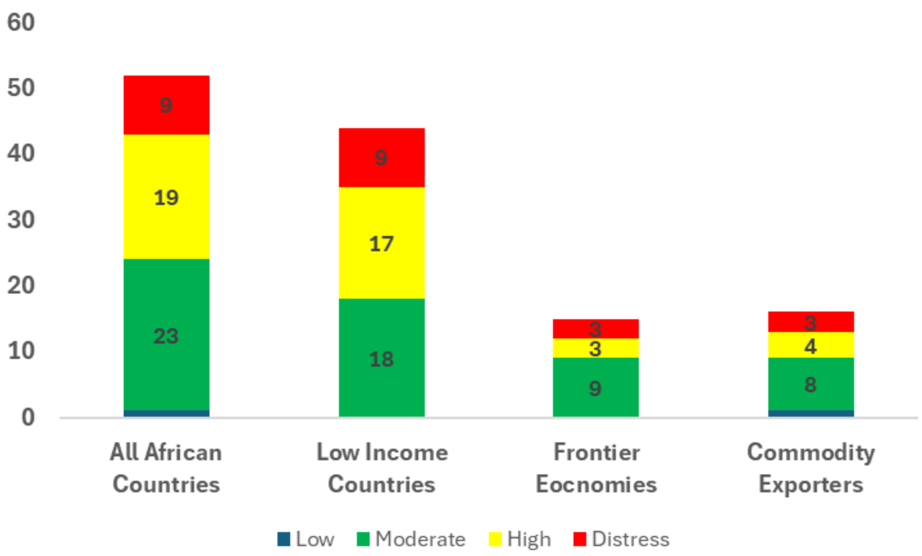
B. Fiscal Package

The fiscal stimulus proposed by Trump 2.0 could lead to an overheating economy. Misaligned fiscal policy could cause short-term economic overheating. Tax cuts without spending adjustments, such as those in the Trump 2.0 plan, may boost growth and employment in the near term. Higher growth in the United States would translate into increased demand for U.S. trading partners in Africa. In the medium to long run, persistent fiscal imbalances will likely worsen the U.S. debt situation and increase inflation, potentially delaying or reversing the Federal Reserve's expected interest rate cuts. Tight financial conditions would have far-reaching implications for African countries. The main channels are summarized in Figure 7.

- *Borrowing Cost and Debt Challenges.* Before Trump's win, relaxed financial conditions paved the way for lower borrowing costs and a lower debt burden in Africa. There was hope that the multiplication of debt stress cases would be contained (Figure 4). With Trump's election, the Fed Funds Futures market has significantly adjusted its rate cut expectations based on Bloomberg data. Tight financial conditions will raise the already prohibitive borrowing costs (Figure 5) for African countries reliant on foreign capital, exacerbating fiscal challenges and debt vulnerabilities. This will limit their fiscal flexibility and complicate efforts to meet existing obligations, as rising risk premiums make financing public and private projects more expensive.

Figure 4

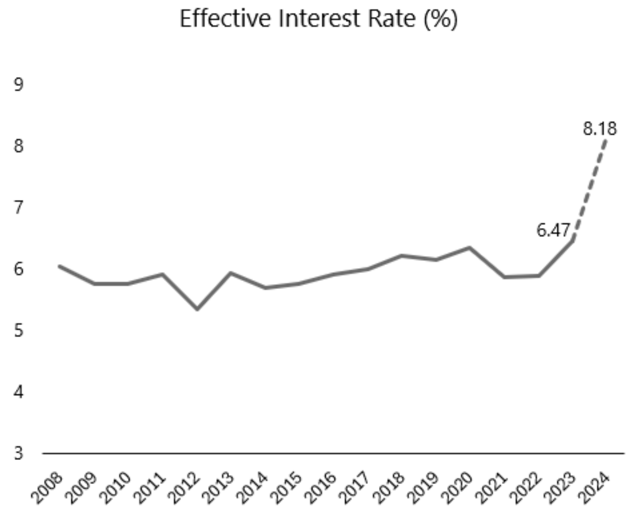
Debt Sustainability Assessment, Overall Risk Rating, African Countries, 2021-24, Latest Available



Source: Author based on LIC-DSA and MAC-DSA by the World Bank and IMF.

Figure 5

Cost of borrowing on African Debt, 2008-2028 (Percent of GDP)



Source: Author based on IMF WEO April 2024.

- *Credit Ratings and Market Access.* Tight financial conditions could lead to fiscal challenges and credit rating downgrades. Several African frontier markets have upgraded recently. In 2024, several African nations experienced credit rating upgrades from agencies like S&P, Moody's, and Fitch, although these could be reversed. Six countries, including Benin, Cameroon, Cabo Verde, Côte d'Ivoire, Tanzania, and Zambia, received upgrades, while eight others revised their outlooks positively (Table 1). The revival of the Eurobond market indicated a shift in access, marked by higher premiums resulting from interest rate hikes by the U.S. Federal Reserve since March 2022. Significant Eurobond issuance followed the improved ratings, with Côte d'Ivoire raising US$2.6 billion in early 2024 through bonds maturing in nine and thirteen years at 6.30% and 6.85%, respectively. Benin issued a US$750 million bond with a 14-year maturity at 8.375%, while Kenya raised US$1.5 billion through a seven-year note with a yield of 10.375%. Other key issuances included Senegal's US$750 million bond at 7.75%, Cameroon's US$550 million at 10.75%, and South Africa's US$3.5 billion issuance. In December 2024, Nigeria raised US$2.2 billion, and Angola issued US$1.2 billion. Cumulatively, African nations issued US$20.9 billion in Eurobonds from January 2024 to February 2025, with an average maturity of over nine years and an interest rate of approximately 9% (Figure 6). However, rising U.S. yields may present challenges for future Eurobond access and pricing.

Table 1

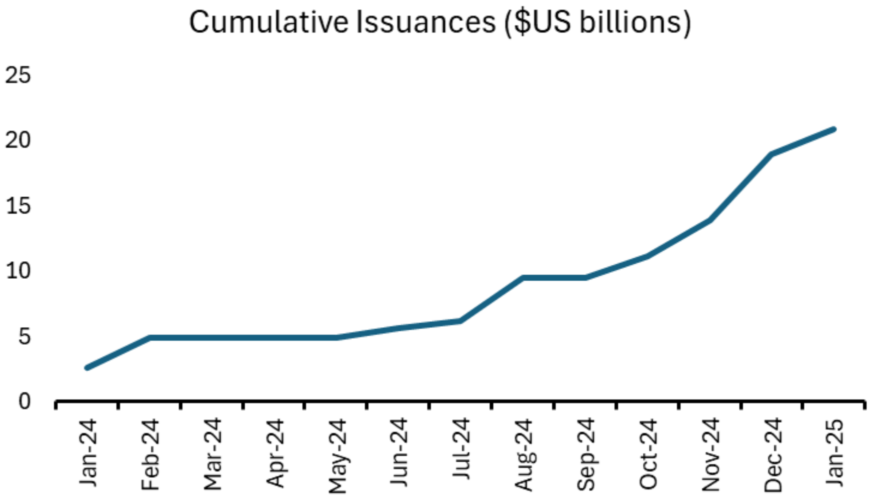
Recent Credit Ratings, African Countries, 2024-25, Latest Available

Sovereign	Moody's			S&P			Fitch		
	Previous	Current	Direction	Previous	Current	Direction	Previous	Current	Direction
UPGRADES									
Benin				BB- (stable)	BB- (pos)	↑			
Carneroon				B- (stable)	B- (pos)	↑			
Cabo Verde							B- (Stable)	B (stable)	↑
Cote d'Ivoire				BB- (stable)	BB (pos)	↑			
Tanzania	B2 (pos)	B1 (stable)	↑						
Zambia	Ca (stable)	Caa2 (stable)	↑						
Total	2			3			1		
DOWNGRADES									
Niger	Caa2 (Neg)	Caa3 (stable)	↓						
Gabon	Caa1 (Neg)	Caa2 (stable)	↓						
Uganda	B2 (Neg)	B3 (stable)	↓						
Total	3								
POSITIVE CHANGES IN CREDIT RATING OUTLOOKS									
Cote d'Ivoire				BB- (stable)	B- (pos)	↑			
Egypt	Caa1 (Neg)	Caa1 (pos)	↑	B- (stable)	B- (pos)	↑	B- (Stable)	B- (pos)	↑
Gabon							B- (Neg)	B- (Stable)	↑
Morocco				BB+ (stable)	BB+ (pos)	↑			
Namibia	B1 (stable)	B1 (pos)	↑						
Seychelles							BB- (stable)	BB- (pos)	↑
Tunisia	Caa2 (Neg)	Caa2 (stable)	↑						
Nigeria							B- (Stable)	B- (pos)	↑
Total	3			3			4		

Source: Author based on market news.

Figure 6

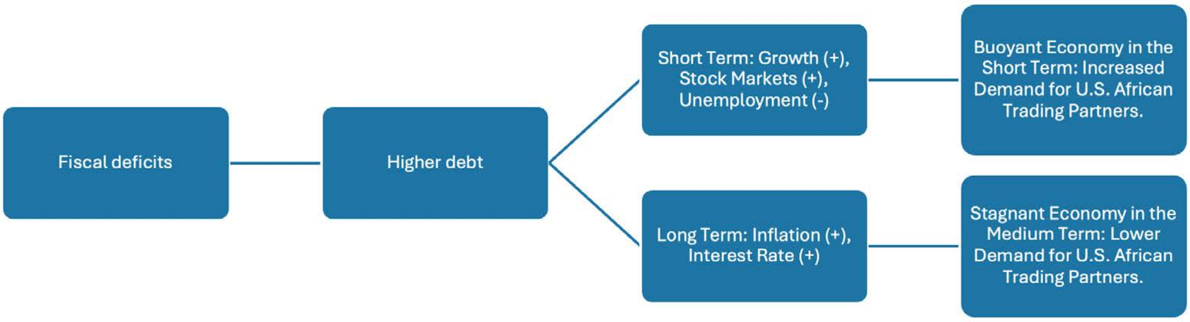
Eurobonds Issuance by African Countries, January 2024 to Date



Source: Author based on market news.

Figure 7

The Effects of US Fiscal Policy Under Trump 2.0 on African Growth



Source: Author.

C. Dynamics influencing the US dollar

Trump's policies may further strain African currencies, particularly in countries lacking buffers. This strain will manifest through three channels: an increase in U.S. tariffs, inflows of U.S. capital, and rising interest rates.

Trump 2.0 intends to continue with tariffs as the cornerstone of his trade policy. This indicates a stronger dollar, which could lead to depreciation pressures on emerging-market currencies, particularly in countries with peg regimes. Figure 8 summarizes the main channels.

- *Tariffs.* Increasing tariffs or enacting protective legislation by the U.S. could lead to an appreciation of the dollar. Higher tariffs raise the cost of imported goods, reducing their attractiveness to consumers and businesses. Consequently, this diminished demand for foreign currencies could result in a strengthened dollar relative to other currencies, including African nations. The dynamics of supply and demand in the foreign exchange market play a crucial role in this relationship, as a decrease in foreign currency demand typically correlates with an increase in the value of the domestic currency.

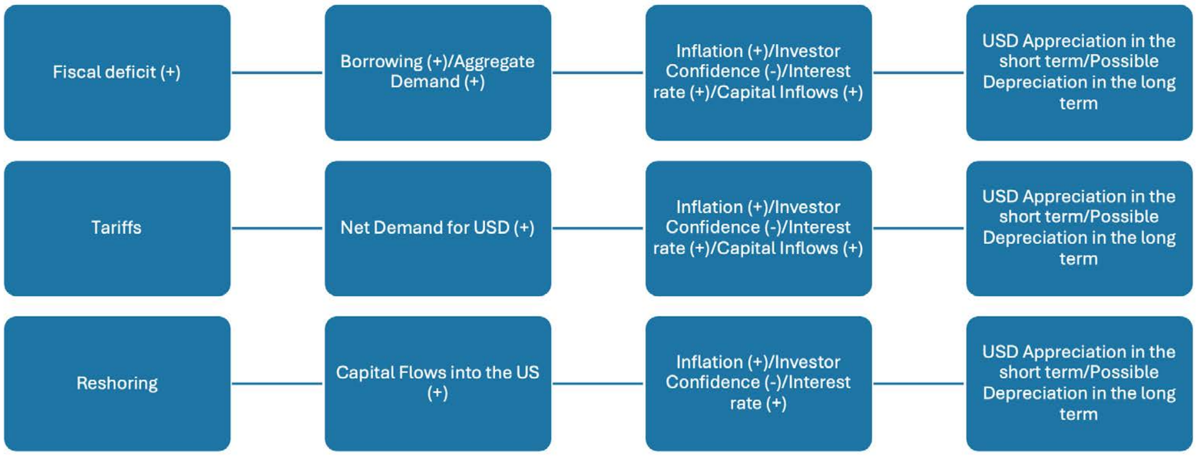
- *Capital inflows.* Trump's support for an "America First" policies could potentially increase capital inflows into the United States, as investors find American assets more attractive than those in other countries. This increase in capital inflows to the U.S. may result in capital outflows from emerging markets, including African nations, strengthening the U.S. dollar.

- *Interest rate.* As outlined previously, the fiscal imbalances from the proposed Trump 2.0 policies could increase inflationary pressures. This scenario may compel the Federal Reserve to adjust its trajectory for rate cuts upwards. Consequently, this shift could enhance the appeal of U.S. assets to foreign investors seeking higher yields, bolstering the dollar's value relative to other currencies, including those of various African nations.

The depreciation of African currencies would substantially impact import expenditures and external debt servicing, thus complicating foreign exchange management. Such depreciation could increase the costs of imported goods and heighten the financial strain of servicing dollar-denominated debts, necessitating more sophisticated strategies in forex risk mitigation and liquidity management. A stronger U.S. dollar undermines African currencies, increasing import expenses and heightening domestic inflationary pressures. African economies that rely heavily on imports may face mounting inflationary pressures, potentially prompting local central banks to implement defensive interest rate hikes. The cost of servicing dollar-denominated debt will escalate, straining the financial positions of several African nations. As the U.S. dollar appreciates, the expenses associated with new borrowings and debt-servicing for African countries with foreign currency liabilities also rise. Given the depletion of fiscal buffers after the fallout from COVID-19, followed by heightened recent geopolitical tensions, the sustainability of foreign currency debt for African policymakers will likely be complicated.

Figure 8

Effects of Trump 2.0's Policies on African Exchange Rates



Source: Author.

IV. ECONOMIC EFFECTS OF TRADE AND INVESTMENT POLICIES

A. Economic Effects of Trade Policies

Trade between the U.S. and Africa has decreased significantly from US$146 billion in 2008 to US$67.5 billion in 2023 (Figure 9, Panel A). This accounts for only 5.2% of Africa's total trade and less than 1% of the U.S. total trade (Figure 9, Panel B). This trade primarily focuses on fuels, which comprise 32% of the total, and minerals, which account for 23%. South Africa leads with US$21 billion in trade, followed by West Africa at US$12.3 billion, North Africa at US$11 billion, and East Africa at US$3.5 billion (Figure 9, Panels C and D).

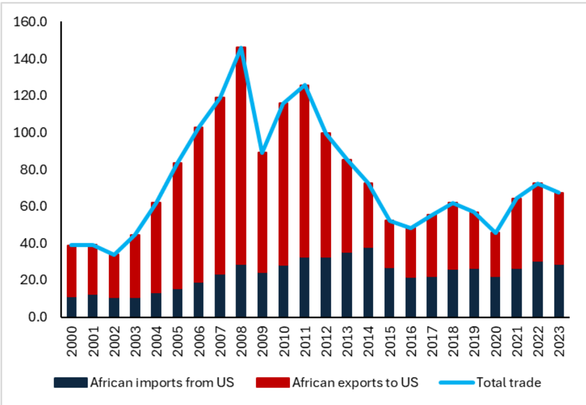
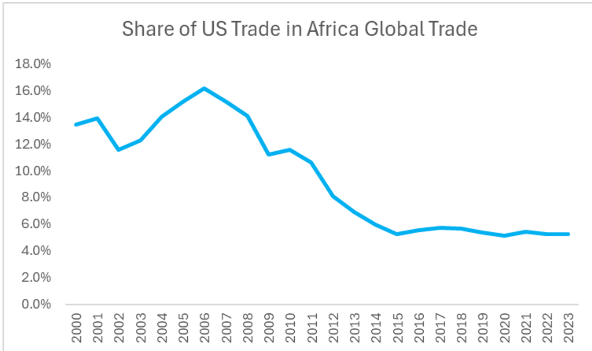
Trump's trade policy will likely affect African countries directly and indirectly. Figure 11 summarizes the channels through which Trump's trade policy influences African economies.

- *The direct effects of Trump's trade policy.* African trade is less likely to be targeted directly by Trump's protectionist policies because Africa accounts for a very small share of total U.S. trade and the U.S. trade balance. In trade initiatives, support for AGOA and AfCFTA is expected to continue. While there are uncertainties around AGOA's renegotiation—with some African nations fearing a phase-out influenced by the previous administration's focus on bilateral agreements—the likelihood of a second Trump administration maintaining AGOA may ensure that sub-Saharan African countries retain preferential market access. The risk of tariffs is a significant concern despite the optimistic view of AGOA. It is crucial to note that, as it stands, only 32 of the 54 African nations qualify for duty-free access to the U.S. market under AGOA. This underscores the limited scope of AGOA's benefits across the continent (Figure 10). Furthermore, a significant disparity exists, as over 80% of the benefits associated with AGOA are concentrated in just five countries. Support for the AfCFTA, meanwhile, should also remain, as it aims to promote economic growth and reduce poverty on the continent.

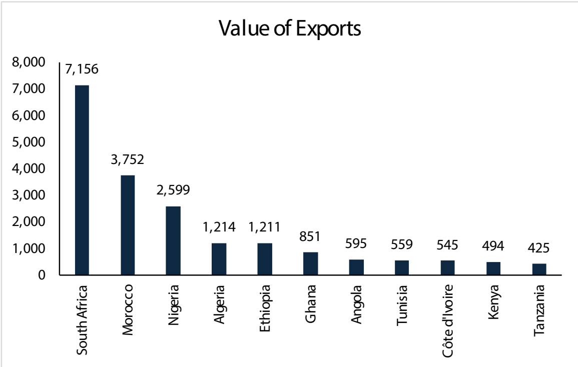
- *The indirect effects will stem from global trade wars.* Tariffs and trade wars could increase uncertainty, disrupt supply chains, and ultimately lower trade and global output levels, hurting African growth. African countries with high degrees of openness will be the most affected by these changes. Some countries may gain from trade diversions involving other partners. This shift could also initiate a new wave of trade as countries seek to diversify their trading relationships. If no tariffs are imposed on African partners, countries that rely on trade with the United States may experience more significant benefits from robust growth in the U.S. economy.

Figure 9

Trade Dynamics between the United States and African Countries, 2000-2023

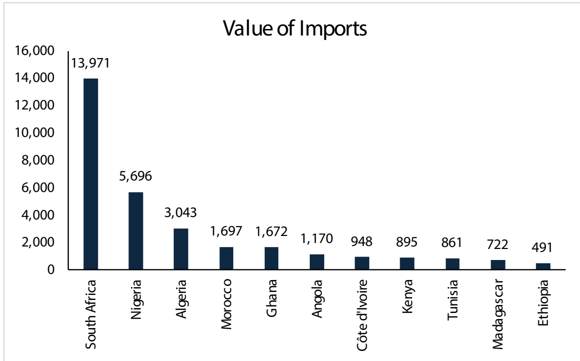
Panel A: Trade between the United States and Africa, US$ Billions	Panel B: Share of United States in African Global Trade (%).
	
Source: IMF Direction of Trade Statistics, Sep. 2024	Source: IMF Direction of Trade Statistics, Sep. 2024

Panel C: Top 10 exporting countries to the United States, US$ millions, 2023



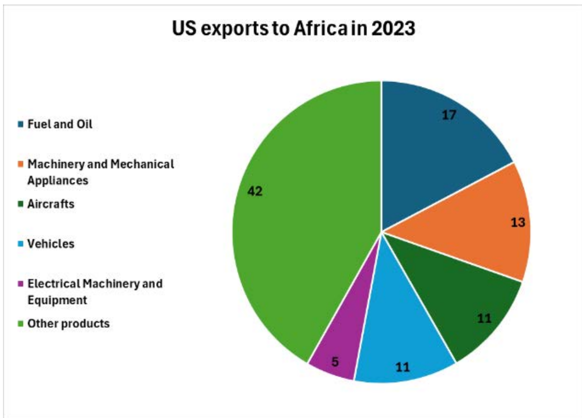
Source: IMF Direction of Trade Statistics, Sep. 2024

Panel D: Top 10 importing countries to the United States, US$ millions, 2023



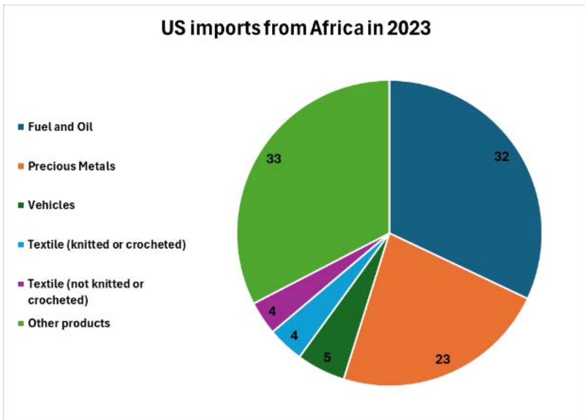
Source: IMF Direction of Trade Statistics, Sep. 2024

Panel E: Key United States exports to Africa in 2023, percent share.



Source: TradeMap.

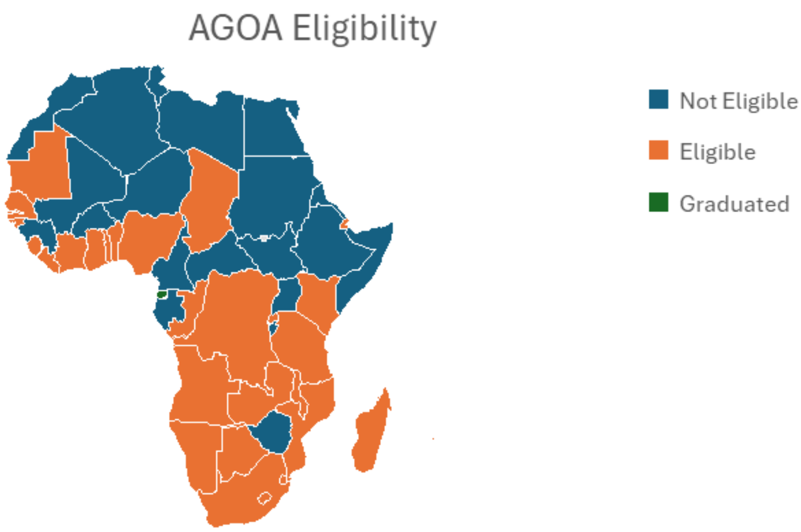
Panel F: Key United States imports to Africa in 2023, percent share.



Source: TradeMap.

Figure 10

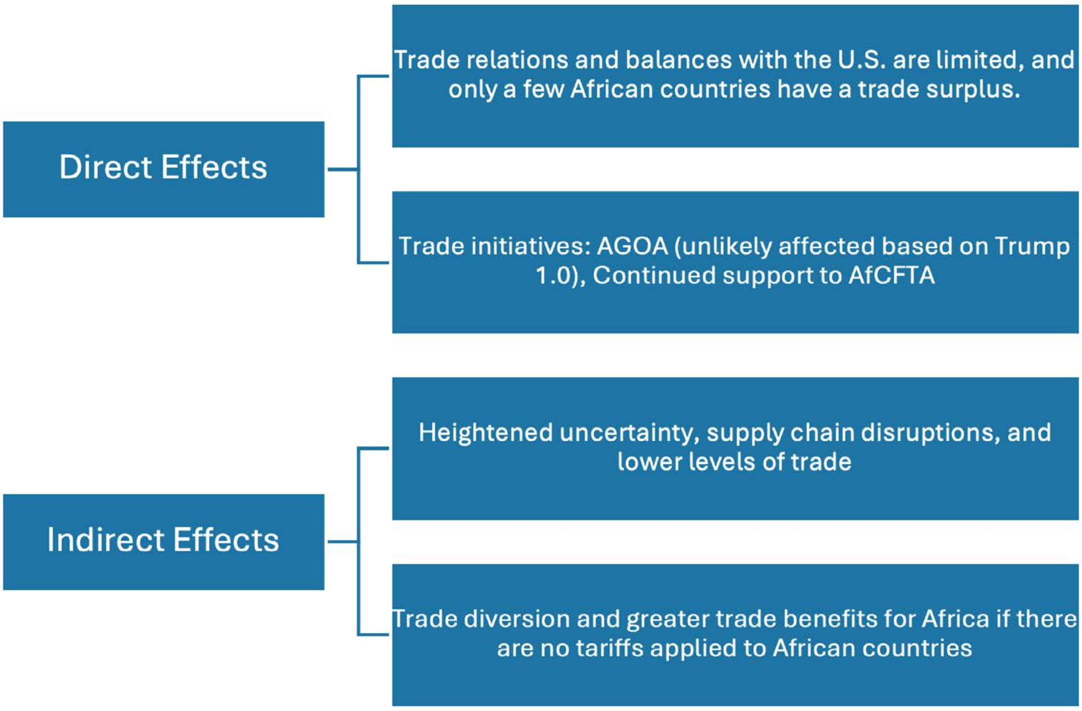
African Beneficiaries of AGOA in 2024



Source: https://agoa.info/about-agoa/country-eligibility.html

Figure 11

Effects of Trade Policy Under Trump 2.0 on African Economies



Source: Author.

B. Economic Effects of Investment Policies

U.S. direct investment in Africa has declined significantly, reflecting a diminished ambition for the continent. By the end of 2022, U.S. foreign direct investment to Africa totaled approximately US$46 billion (Figure 12), constituting less than 1% of the global FDI pool from the United States, which reached US$6.31 trillion. This Figure illustrates a significant decline from US$52 billion in 2015. In comparison, Chinese FDI in Africa for that year was slightly higher, totaling US$50.5 billion, underscoring the disparities in investment levels between the two countries. The principal recipients of this capital infusion have been South Africa, Mauritius, and Nigeria, which have emerged as favorable destinations for U.S. investors.

U.S. FDI in Africa shows improvement, shifting from mining to non-mining sectors. Investments in mining fell from over 50% of total U.S. FDI to 32% by 2020, impacting overall U.S. direct investments in the region. The diminishing attractiveness of African mining ventures for U.S. investors is primarily attributed to a strategic pivot toward domestic energy sources (United States International Trade Commission, 2020). Figure 14 summarizes the channels through which Trump's investment policy influences African economies.

- *"America First"* policies and Developing Markets Capital Outflows. Under the Trump 2.0 administration, a renewed investment pullback is expected because of a stronger emphasis on "America First" policies. This could increase capital inflows into the U.S. while reducing outflows to emerging markets, particularly in Africa, significantly impacting global investment patterns and economic dynamics in developing regions.

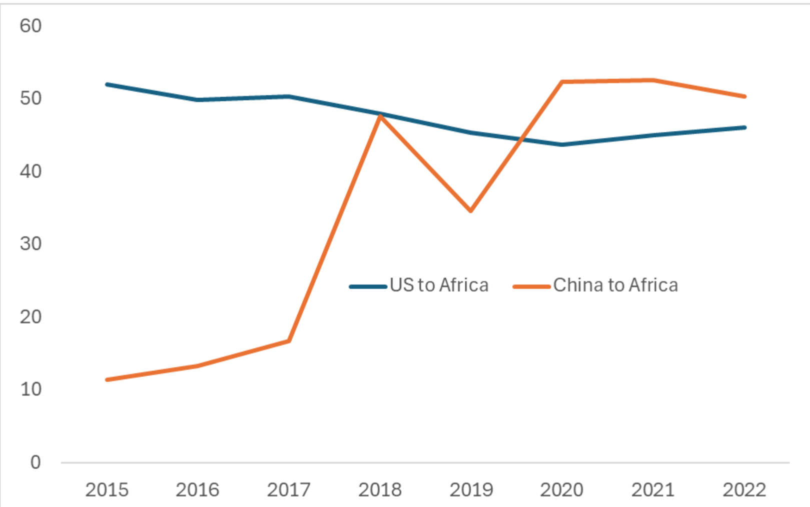
- Competition for Resources. Africa is seen as a battleground for influence over resource extraction. Trump 2.0 is expected to emphasize U.S. business interests within the resource-extraction sector and advocate for private-sector investments to compete with rivals, including China and Russia.

- Prosper Africa Initiative 2.0. Trump 2.0 plans to revive the Prosper Africa initiative, shifting U.S.-Africa relations from aid to trade, which aligns with his strategy to curb immigration and counter China and Russia's influence. Launched in 2018, Prosper Africa aims to enhance economic partnerships through two-way trade and investment, working with private enterprises and African governments. Despite its goals, the initiative's impact has been modest, with a budget of only US$160 million. As of mid-2024, 1,236 deals totaling US$70.8 billion had been closed in 49 African countries, with 401 deals valued at US$32.5 billion in the year's first six months (Figure 13).

Figure 12

Direct Investment to Africa

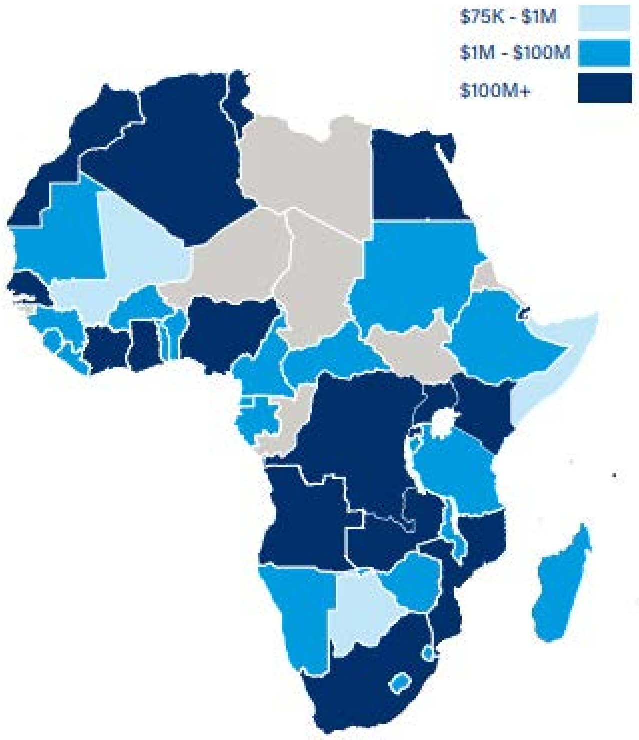
China and the United States, 2015-2022, US$ Billions



Source: IMF Coordinated Direct Investment Survey.

Figure 13

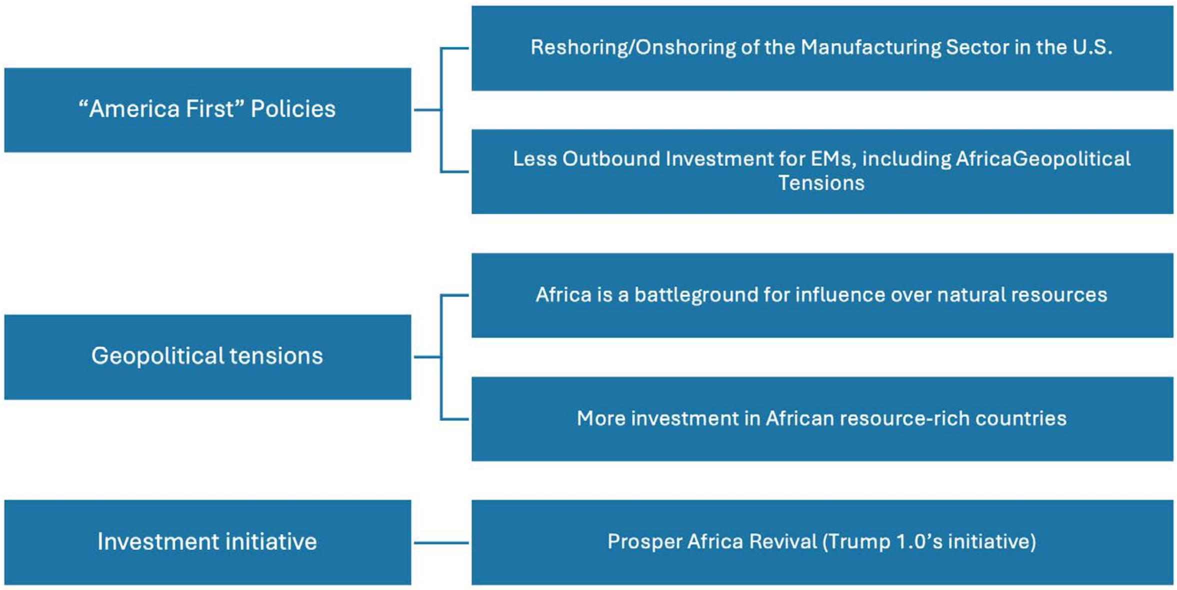
Prosper Africa Since Its Inception in June 2019: Deals by Country



Source: Prosper Africa. https://www.prosperafrica.gov/wp-content/uploads/2024/01/Prosper-Africa-Fact-Sheet-English-Revised.pdf

Figure 14

Effects of Investment Policy Under Trump 2.0 on African Economies



Source: Author.

V. EFFECTS FROM OTHER POLICIES

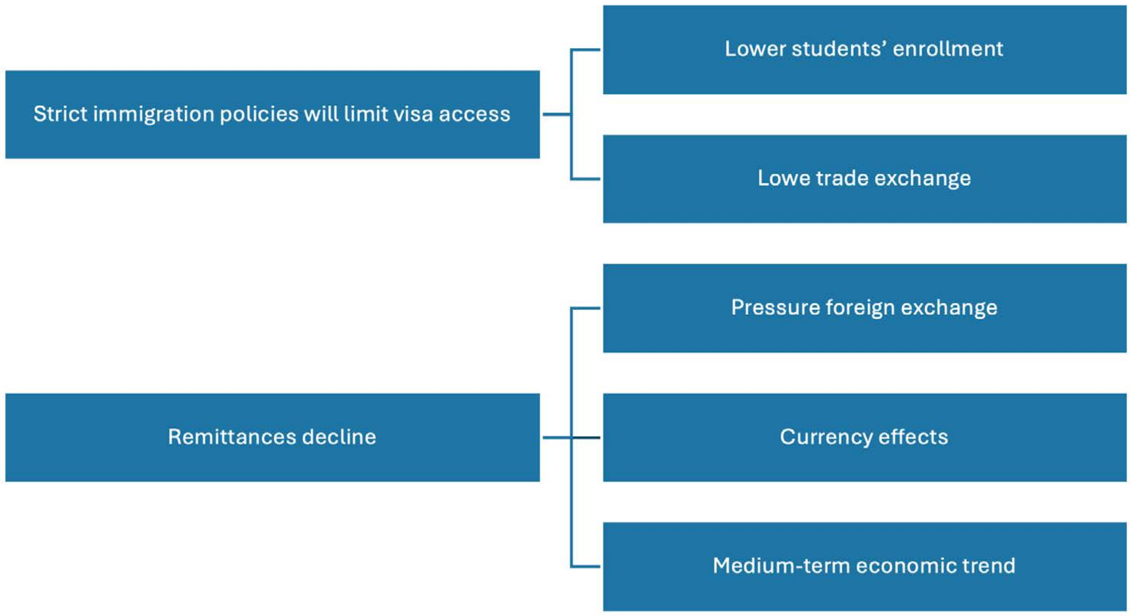
A. Immigration Policy

President Trump has reaffirmed a strong position on immigration reform, which significantly affects the flow of migrants from African nations to the United States. Figure 15 delineates the mechanisms by which Trump's immigration policy impacts African economies. Strict immigration policies will limit visa access. In 2020, the Trump administration expanded its travel ban to include Nigeria, Eritrea, Sudan, and Tanzania. These barriers could impair economic relations between the U.S. and Africa, resulting in lower enrollment of African students in U.S. institutions and fewer opportunities for African nationals.

A stricter immigration policy in the U.S. could significantly reduce remittance flows to Africa, particularly impacting the economies of Ethiopia, Egypt, and Nigeria. A decline in these financial transfers may pressure foreign exchange reserves and worsen economic conditions. Beyond the macroeconomic effects, remittances are crucial in poverty alleviation and reducing inequality. As of 2022, the U.S. was home to a diverse African immigrant population, estimated to exceed 2.75 million (Figure 16). Among this group, Nigerians formed the largest segment, totaling 448,405 individuals (16.3%), followed by Ethiopians (10.6%), Egyptians (8.3%), and Ghanaians (7.8%).[1]

Figure 15

Effects of Immigration Policy Under Trump 2.0 on African Economies

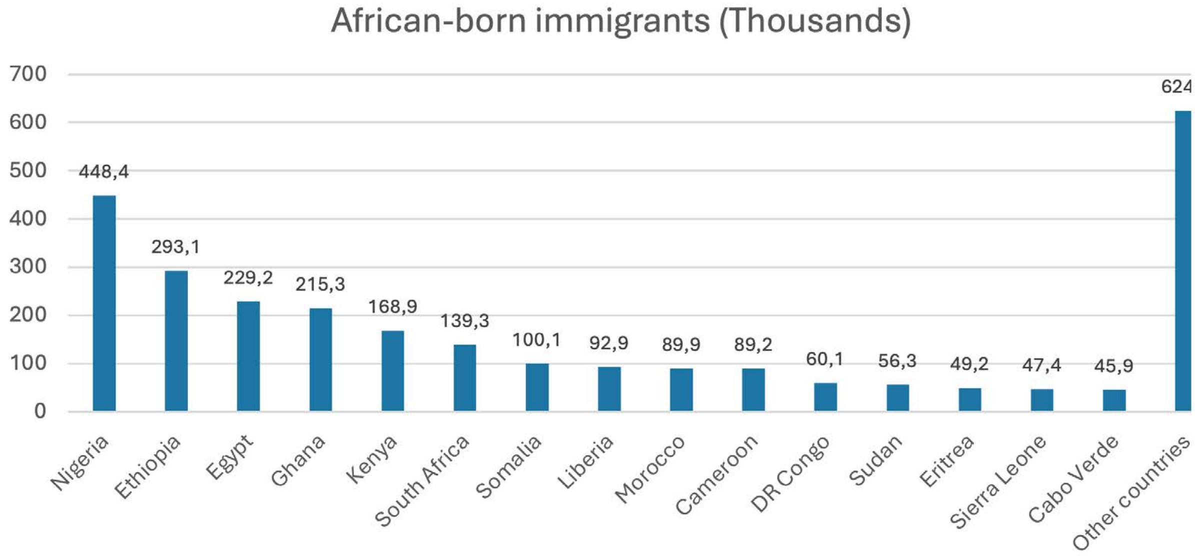


Source: Author.

1. https://intelpoint.co/insights/16-3-of-african-born-immigrants-living-in-the-us-in-2022-were-nigerians/.

Figure 16

Top 15 African Countries with the Largest Immigrant Populations in the U.S. in 2022.



Source : https://intelpoint.co/insights/16-3-of-african-born-immigrants-living-in-the-us-in-2022-were-nigerians/.

B. Foreign Aid

Under the "America First" policies, U.S. foreign aid is expected to be reduced in favor of domestic spending and market-oriented approaches. Trump's foreign policy emphasizes transactional relationships, moving away from multilateral partnerships, which may result in cuts to bilateral aid and contributions to multilateral organizations, especially regarding climate-change initiatives.

Substantial cuts to foreign aid under Trump 1.0 adversely affected African development initiatives. They reduced U.S. contributions to essential multilateral organizations, including the United Nations and the World Health Organization. These policy shifts had deleterious effects on health outcomes and overall development across the region. The executive order issued on January 20, 2025, highlighted the potential for an aid freeze, which directs a 90-day freeze on foreign assistance funding and a review of all U.S. aid and development efforts abroad. This situation puts social programs in African nations, which rely heavily on U.S. assistance, at risk, including healthcare, food security, and education.

The U.S. remains a key grants provider to African countries through various programs. The most emblematic one is the Millennium Challenge Corporation (MCC), a key U.S. aid agency established in 2024 for economic growth and poverty alleviation, which may be affected by Trump's policies. While the MCC operated during Trump's first term, it faced strategic and funding challenges about its effectiveness when requesting funding in 2021.

Since its inception in 2024, MCC has disbursed US$18.4 billion to developing economies, of which US$11.3 billion went to Africa (Table 2 and Figure 17). As of September 2024, the MCC had active compacts (five-year agreements) in Côte d'Ivoire, Senegal, Lesotho, Malawi, Mauritania, and Mozambique, with a total commitment of US$2.36 billion. Additionally, there were threshold programs in Gambia, Kenya, and Togo.

Table 2

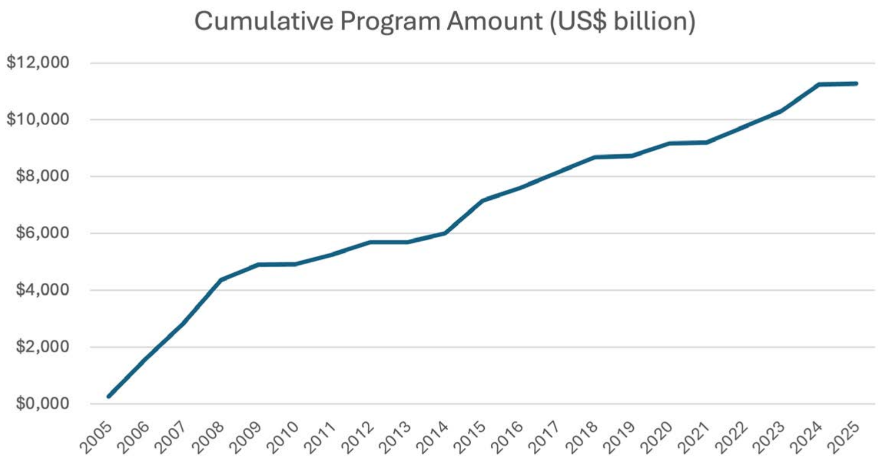
Country Programs in Millennium Challenge Corporation (MCC).

Country	Program Amount (US$ billion)
Benin	0.900
Burkina Faso	0.944
Cabo Verde	0.176
Cote d'Ivoire	0.537
Gambia	0.025
Ghana	0.863
Kenya	0.073
Liberia	0.272
Madagascar	0.110
Malawi	0.722
Mali	0.461
Mauritania	0.027
Morroco	1.158
Mozambique	1.007
Namibia	0.304
Niger	0.460
Rwanda	0.025
Sao Tome and Principe	0.007
Senegal	1.090
Sierra Leone	0.525
Tanzania	0.709
Togo	0.035
Uganda	0.010
Zambia	0.835
Total Africa	$11.280

Source: Millennium Challenge Corporation (MCC), https://www.mcc.gov/where-we-work/

Figure 17

Cumulative Program Amount Under the MCC (US$ billion) 2024



Source: Millennium Challenge Corporation (MCC), https://www.mcc.gov/where-we-work/

In 2024, the U.S. allocated US$6.5 billion in humanitarian aid to sub-Saharan Africa, with approximately 73% designated for health programs (Figure 18). Countries, including South Sudan and Liberia, are particularly susceptible to aid interruptions, as they depend on U.S. assistance for over 10% and 3% of their GDP, respectively. In the Sahel region, which includes countries such as Niger, Mali, and Burkina Faso, U.S. foreign aid has been instrumental in supporting food distribution, healthcare services, and agricultural development initiatives.

Figure 19 summarizes the channels through which Trump's aid policy influences African economies.

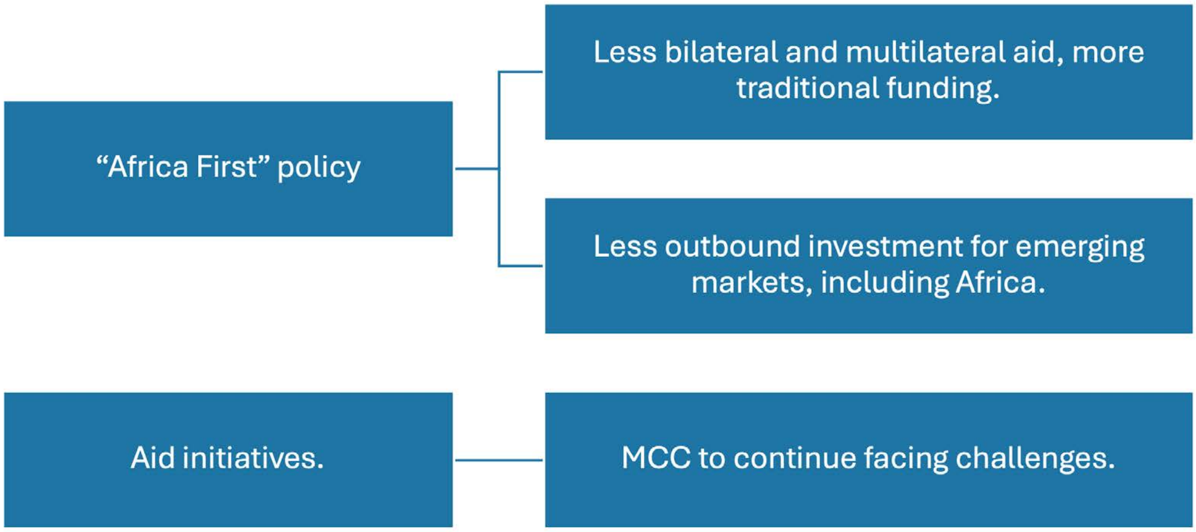
Figure 18

African Reliance on U.S. Assistance in 2024

Source: The big US aid freeze: Who loses? - The Continent

Figure 19

Effects of Aid Policy Under Trump 2.0 on African Economies



Source: Author.

C. Climate Policies

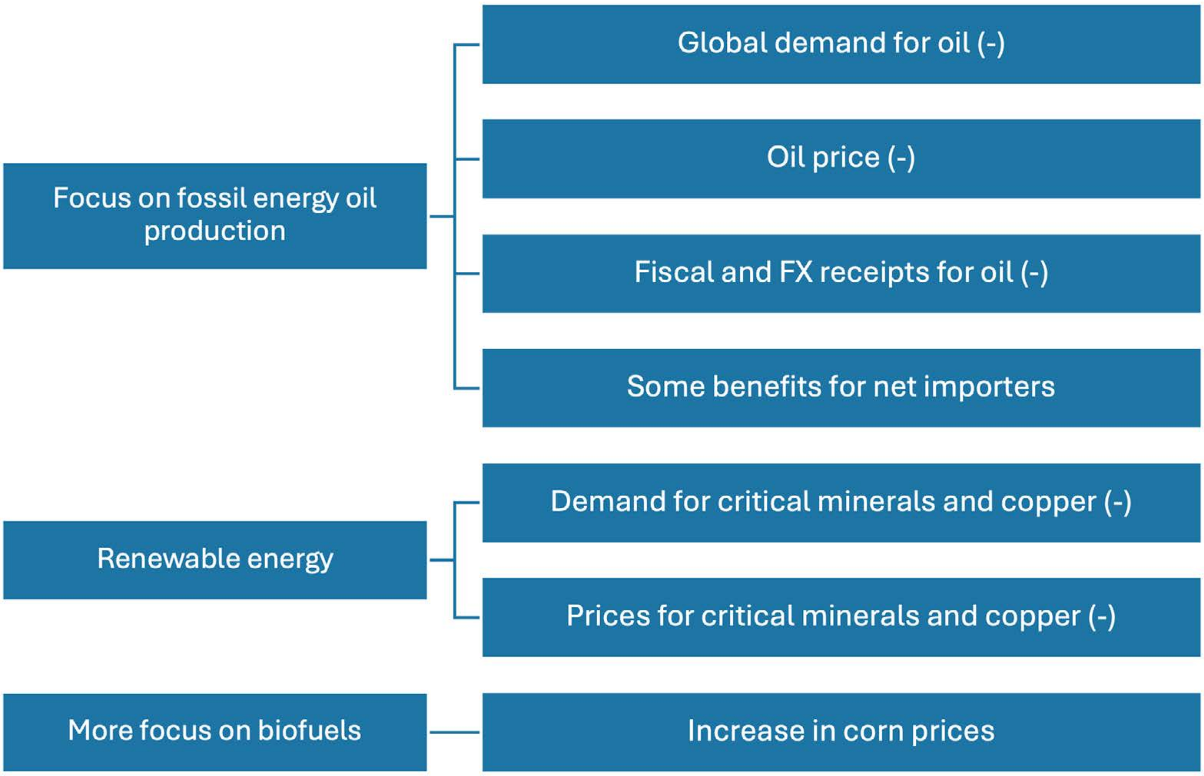
Trump's climate policy, focused on achieving energy independence, is poised to significantly alter the domestic oil-production landscape in the United States. This recalibration may disrupt the global oil supply-demand equilibrium. An uptick in U.S. oil output could exert downward pressure on global prices, potentially leading to a contraction in oil costs. Such a scenario would have adverse economic implications for oil-exporting African nations, which are typically vulnerable to price volatility.

Additionally, a pivot away from renewable energy sources in climate policy may suppress demand for lithium batteries, leading to a decrease in lithium prices. More broadly, the market prices for critical minerals integral to clean-energy technology production are expected to experience a decline. Similarly, copper prices are anticipated to fall, given their correlation with the demand dynamics tied to the ongoing transition toward renewable energy systems. A decrease in oil, critical mineral, and copper prices would likely diminish fiscal revenues and foreign-exchange earnings for oil-dependent economies, threatening their financial stability. In contrast, net oil-importing countries could benefit from reduced expenses related to imported refined petroleum products, potentially resulting in improved trade balances and lower overall energy costs.

Furthermore, revisions to biofuel mandates could substantially affect market dynamics, mainly as corn is a key feedstock for ethanol production. A favorable policy environment for biofuels could increase corn demand, increasing its market price. Figure 20 summarizes the channels through which Trump's Climate policy influences African economies.

Figure 20

Effects of Climate Policy Under Trump 2.0 on African Economies



Source: Author.

VI. POLICY PERSPECTIVES AND IMPLICATIONS

In evaluating the implications of Trump's policies through 2028, African economies must proactively strategize to mitigate risks and seize new opportunities, drawing lessons from his first term.

- Diversify Funding Sources. During Trump's first term, U.S. financial investment in Africa experienced a notable reduction, underscoring the need for African countries to broaden their funding streams. This contraction points to the imperative for these institutions to seek alternative financing mechanisms beyond traditional U.S. investment to enhance their financial stability and promote sustainable development.

- Develop Trade with Emerging Markets. To mitigate reliance on the U.S., African nations should strategically reinforce trade and investment collaborations with emerging economies, including India, Brazil, and the Southeast Asian region, while actively participating in the broader ASEAN framework. This multifaceted approach is expected to foster a more diversified and resilient economic infrastructure, enhance Africa's global trade positioning, and promote sustainable development.

- Pursue Debt Sustainability and Relief Initiatives. The elevated interest rates in the U.S. throughout Trump's first term exerted considerable pressure on African economies. In response to these fiscal challenges, African nations should consider implementing debt restructuring strategies. This includes exploring local currency-denominated lending and engaging in debt-for-climate swaps, which could facilitate financial stability while promoting sustainable development initiatives.

- Strengthening Hedging Strategies. The rise in U.S. interest rates during Trump's first term significantly affected emerging market currencies, increasing exchange rate volatility and financial instability. African economies should strengthen their risk management through effective hedging strategies. By utilizing advanced hedging instruments, they could protect their portfolios from the negative impacts of currency fluctuations and interest rate volatility, enhancing their financial stability and resilience to external shocks.

- Promote Local Manufacturing and Value-Added Sectors. African economies need to emphasize the development of local manufacturing capabilities to mitigate dependence on imports from outside the continent. Strategic public-private partnerships in agriculture, pharmaceuticals, and technology could foster job creation and drive industrialization. By leveraging these collaborations, countries could enhance their value chains, encourage innovation, and build resilience against external economic shocks.

- Support Intra-African Trade Initiatives. Trump's focus on bilateral agreements highlights the need for Africa to enhance its regional economic resilience. African economies should emphasize AfCFTA initiatives to reduce dependence on U.S. markets and mitigate risks from U.S. trade policy changes. Investing in regional infrastructure is vital for boosting intra-African trade and realizing AfCFTA's potential. AfCFTA presents significant opportunities for U.S. businesses, driving job creation, economic growth, poverty alleviation, and potentially transforming Africa's economic landscape.

- Maximize AGOA and Prosper Africa Initiatives. Initiatives such as AGOA and Prosper Africa should effectively leverage AfCFTA to enhance their impact. AGOA fosters export-oriented sectors in Africa, while Prosper Africa supports African firms entering the U.S. market. By aligning these policies, African industries could capitalize on market access under AfCFTA, and when implemented, they could improve supply chains and production efficiency. The renewal of AGOA is crucial for strengthening U.S.-Africa economic relations, as it has reduced trade barriers and attracted foreign investment. New bipartisan proposals aim to extend AGOA through 2041. However, Prosper Africa faces financial challenges that hinder its scalability. A tailored Marshall Plan for Africa's private sector is needed to partner with U.S. corporations and mitigate investment risks, ensuring sustainable growth.

- Strengthen Regional Collaboration for Unified Trade Negotiations. The African Union (AU) should strengthen intra-regional collaboration among member states to negotiate more advantageous trade agreements with major economic entities such as the U.S. and European Union. A cohesive strategy will enhance Africa's leverage in trade discussions, especially about the AGOA. This alignment is crucial for maximizing Africa's economic benefits and ensuring a more equitable trading landscape.

- Deepen Ties with U.S. Agencies. African nations have a vital opportunity to develop strategic policies that enhance economic ties with the United States. Priorities include improving structural fundamentals to attract trade and investment through market liberalization, infrastructure upgrades, and increased production capacities. The U.S. could support this transition to market-oriented economies via targeted foreign aid and investment initiatives. The Trump administration will likely maintain key agencies such as the U.S. Trade and Development Agency (USTDA) and the U.S. International Development Finance Corporation (DFC). African economies should leverage these agencies' resources to align with the administration's new priorities.

- Leveraging Global Africa. African nations could leverage the Global African community and the diaspora in the U.S. to enhance trade and investment. African-owned businesses are advancing in technology and entertainment, which is crucial in bilateral trade. The diaspora could strengthen intra-community commerce and boost investment, driving economic growth. African governments should engage with U.S.-based African American businesses to capitalize on this potential and consider employing lobbyists to advocate for African interests in U.S. politics, aligning economic and political narratives with the continent's development goals.

Trump's return has introduced a complex landscape for the global economy, notably impacting emerging and developing markets. Drawing on the lessons learned during his previous term, African economies are poised to face persistent and novel challenges to trade dynamics, FDI flows, and fiscal stability. The policies and rhetoric from Trump's administration suggest a potential shift in trade agreements, investment priorities, and economic diplomacy, which African stakeholders must navigate carefully to mitigate risks and capitalize on emerging opportunities.

VII. CONCLUDING REMARKS

Donald J. Trump and the Republican Party achieved a surprising electoral victory in the U.S. election held on November 5, 2024. The impact of a Trump presidency on African economies could be significant, driven by several proposed policy initiatives. These include deregulation, macro-fiscal stimulus, tariffs and trade wars, stricter immigration policies, and less favorable climate policies. There could be significant implications for African economies.

The Trump administration could heighten global economic instability, affecting African economies through increased exchange-rate volatility and altered trade relationships. While fiscal stimulus may boost short-term growth, it risks rising national debt and inflation, raising African borrowing costs. Tariffs and higher U.S. interest rates threaten African currencies and capital inflows. Support for trade programs such as AGOA might continue, but trade tensions could disrupt supply chains. Strict immigration policies may limit migrant flows and impact remittances. Cuts to U.S. foreign aid could hinder development efforts, while energy independence could lower oil prices, affecting oil-exporting countries.

Considering the anticipated impacts of Trump's policies through 2028, African economies must adopt proactive strategies to mitigate potential risks and capitalize on emerging opportunities, learning from the experiences of his first administration. To strengthen financial stability, countries should explore alternative funding sources, including private investment and multilateral development banks. Enhancing trade with non-traditional partners in Asia and Latin America could improve economic resilience. Sustainable borrowing practices and debt restructuring are crucial for fiscal health. Implementing complex financial instruments could help manage risks from commodity-price volatility. Investing in local production fosters self-reliance and job creation while boosting exports. Leveraging frameworks such as AfCFTA could stimulate growth and integration in Africa. Fully utilizing the AGOA could enhance U.S. trade preferences and investments. Greater coherence in trade negotiations could improve bargaining power with external partners. Building partnerships with U.S. organizations could facilitate technology transfer and funding. Promoting Africa's potential could attract global investments and create a favorable business environment.

African stakeholders must navigate the challenging environment carefully to mitigate risks and capitalize on emerging opportunities.

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The big US aid freeze: Who loses? - The Continent

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