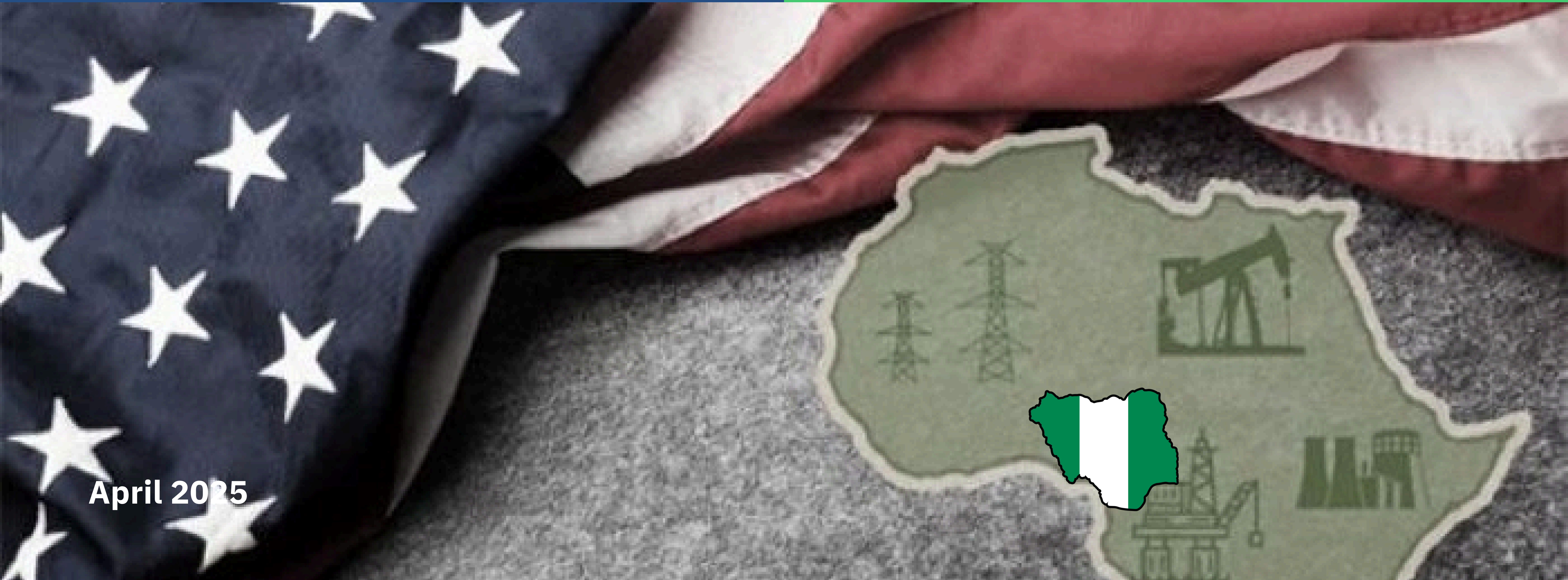
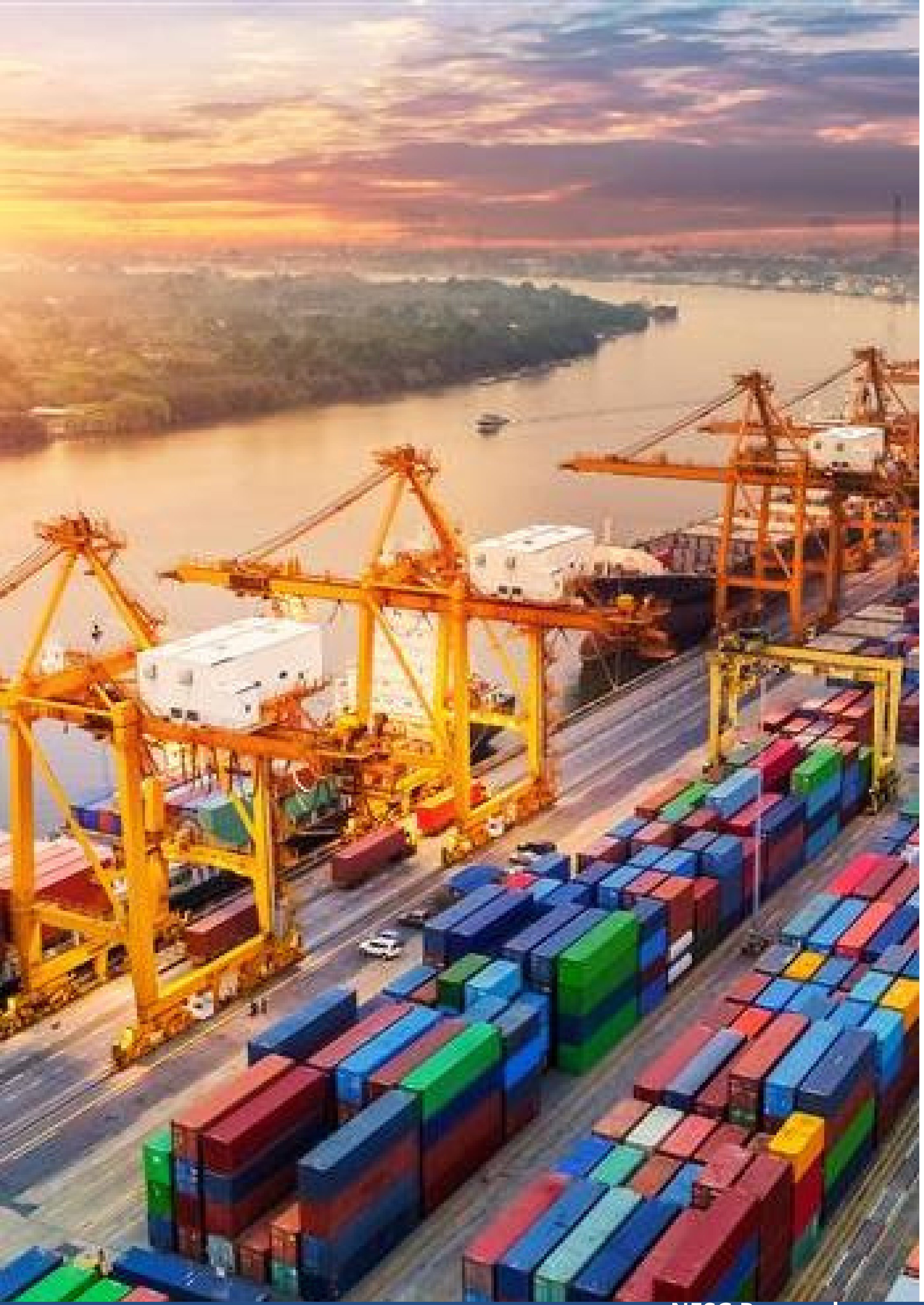
Strategic Implications of US Reciprocal Tariffs for the Nigerian Economy

Trump's Policy Playbook 2.0 & Way Forward



April 2025



Context Setting

The re-emergence of Donald Trump as U.S. President ushered in a renewed "America First" policy, emphasising protectionism and unilateralism over multilateral diplomacy. Central to this shift is the introduction of "reciprocal tariffs," a formula-based strategy aimed at correcting trade imbalances by imposing higher tariffs on countries with surpluses against the U.S. In Nigeria's case, the US announced a 14 percent tariff, reflecting Nigeria's trade surplus with the US and its existing import duties on American goods, which the US estimated to be 27 percent.

- Declining U.S. multilateralism and rising Chinese influence in Africa create a complex geopolitical context.
- U.S. tariffs on Nigerian goods have historically been low.
- The policy could disrupt Nigeria–U.S. trade relations and economic indicators.

Trump's approach, though intended to balance trade, has sparked global criticism for oversimplifying complex trade dynamics. For Nigeria, the new U.S. posture demands a reassessment of its foreign trade, security, and development strategies to mitigate potential adverse impacts of the declining American multilateralism in the world.

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For More Information, Reach Out to:

NESG Research
research@nesgroup.org

SHAKIRUDEEN TAIWO, Ph.D.
shakirudeen.taiwo@nesgroup.org

WASIU ADEKUNLE
wasiu.adekunle@nesgroup.org

KEY LEARNING POINTS FOR THE NIGERIAN ECONOMY

New Threat to Nigeria's Export Gains in 2025:

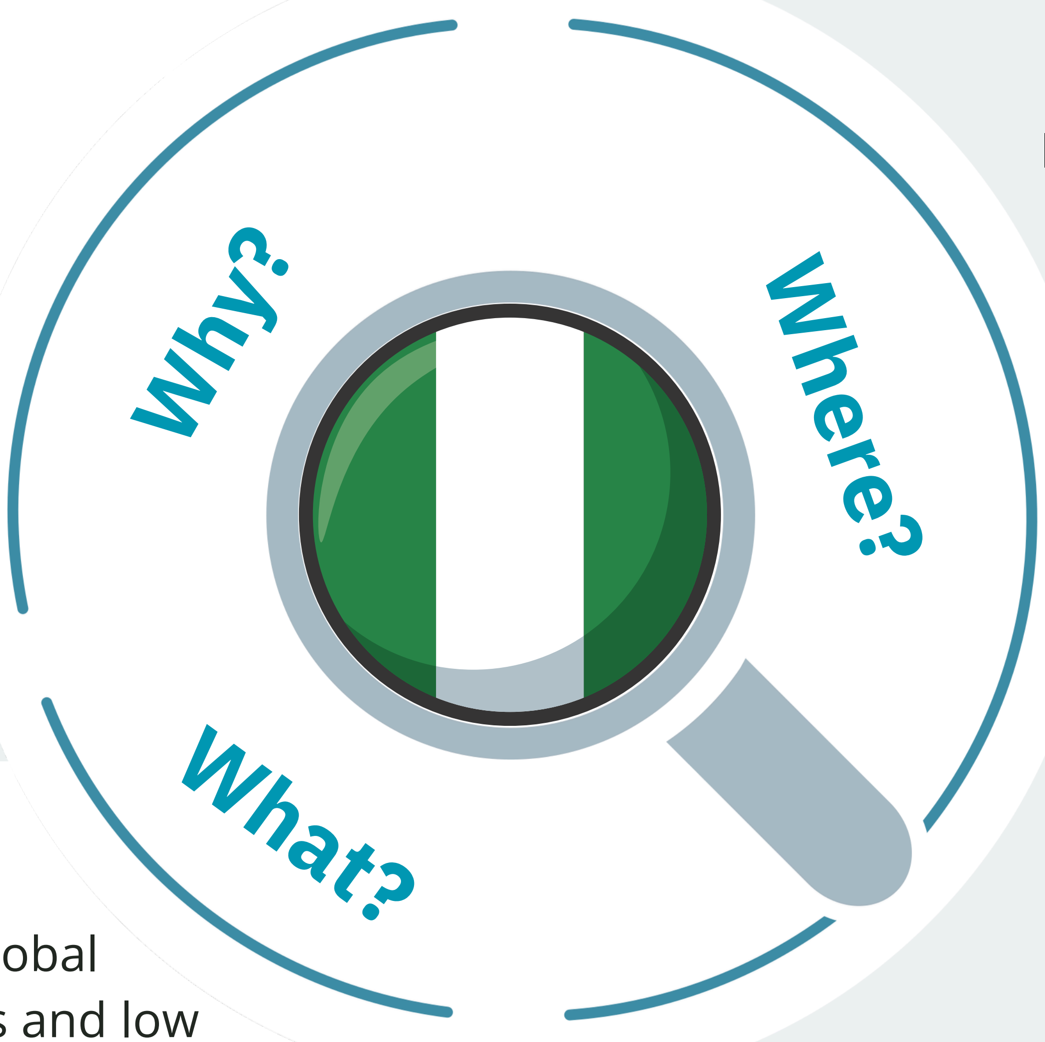
The U.S. imposed a 14 percent reciprocal tariff on Nigerian exports in April 2025, targeting countries with trade surpluses and threatening Nigeria's recent export gains.

....Seeking alternative export markets in Asia and Africa, may not fully offset the loss of U.S. demand.

Sectoral Impacts

Sharper decline expected in Agriculture and textile exports, especially cocoa, sesame seeds, and apparel, due to high price elasticity.

Disruption in global energy markets and low oil prices affecting Nigeria's Oil and Gas exports.



Impacts on the Nigerian Economy

Limited impact on oil exports as it is excluded from the new policy, but falling global prices may reduce total export revenue.

Increased vulnerability of Nigeria's non-Oil exports, especially Agricultural and Manufactured goods.

Exchange rate risk due to weakened Nigeria's foreign exchange earnings, putting pressure on the Naira.

Currency depreciation would raise import prices, fueling inflation through higher costs of imported goods.

BANK

The Central Bank may raise interest rates in short-term to combat inflation, but rates are expected to fall again once inflation stabilises.

For More Information, Reach Out to:

NESG Research
research@nesgroup.org

SHAKIRUDEEN TAIWO, Ph.D.
shakirudeen.taiwo@nesgroup.org

WASIU ADEKUNLE
wasiu.adekunle@nesgroup.org

Policy Recommendations

Aside from reciprocating the US tariffs, what other measures should the Nigerian government deploy to manage the aftermath of the tariff shock?

01

PRIORITISING INDUSTRIALISATION

Nigeria's reliance on crude oil and raw agricultural exports limits its ability to fully benefit from the welfare gains of trade. To reverse this, the government should support value chain development in agro-processing and light manufacturing, complementing private sector job creation efforts.

02

RETHINKING TRADE STRATEGIES

Nigeria's 27 percent tariff on American goods limits U.S. exports. To ease trade tensions and avoid retaliation, Nigeria should consider reducing import barriers, particularly on goods it cannot produce sufficiently, to strengthen trade ties with the U.S.

03

IMPROVE INFRASTRUCTURE FOR INTRA-AFRICAN TRADE

Nigeria has struggled to fully benefit due to poor connectivity and inefficient logistics. The country needs to improve trade infrastructure to support non-Oil exports and intra-regional trade with other African countries.

04

RENEGOTIATING TRADE TERMS

Nigeria should strengthen ties with other key trading partners to protect its export markets. The government should revise tariffs, pursue new trade deals, and apply selective tariffs based on sectoral vulnerability to boost investment opportunities.

05

INCREASE INVESTMENT IN THE MIDSTREAM OIL SECTOR

Mineral fuels account for over 30 percent of Nigeria's imports. Increased investment in refinery upgrades and the downstream oil sector is needed to reduce fuel imports, save foreign exchange, and ease pressure on the FX market.

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