Nigerian Economic Summit Group
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TRUMP'S POLICY PLAYBOOK: STRATEGIC IMPLICATIONS FOR NIGERIA

WHAT HAPPENED?

- On January 20, 2025, Donald Trump began his second term as the President of the United States of America, reviving the "America First" agenda with a focus on trade protectionism, tax reforms, immigration policy, energy dominance, and fiscal restraint.
- Since resumption, he has signed more than 65 executive orders with about 16 memoranda on trade, immigration, foreign aid, and workforce policies, some facing legal challenges.
- The administration imposed major tariffs: 25 percent on most Canadian and Mexican imports (but a 10 percent tariff on Canadian energy) and a 10 percent tariff on Chinese goods, potentially costing typical U.S. households US$1,200 annually.
- Trump pushed for energy dominance, urging shale oil production increases, but independent producers resisted due to financial constraints and reliance on high oil prices.
- His administration paused foreign aid programmes, citing inefficiency, a move likely to impact most aid-dependent nations, including Nigeria.

OUR TAKE:

- **Trade and Investment:** United States (U.S.) tariff policies may disrupt global trade, forcing Nigeria to reassess its trade ties. A key concern is the African Growth and Opportunity Act (AGOA), which grants duty-free access to the U.S. If weakened or discontinued, sectors like textiles and agribusiness could face higher trade barriers. Nigeria must push for AGOA's extension beyond 2025.
- **Foreign Direct Investment (FDI):** Trump's tax reforms may encourage U.S. firms to repatriate investments, reducing FDI in Nigeria. To counter this, Nigeria should attract investors from China, the EU, and Gulf nations by improving its investment climate.
- **Energy Sector:** Nigeria risks revenue losses if U.S. energy policies drive down oil prices. To mitigate this, the country must accelerate economic diversification, focusing on manufacturing, agriculture, and digital technology.
- **Economic Resilience:** With potential U.S. aid cuts, Nigeria must boost domestic revenue, optimise spending, and attract private-sector investments. NESG continues to advocate structural reforms to enhance competitiveness.

1. CONTEXT SETTING: WHY IS THE UNITED STATES (U.S.) IMPORTANT TO NIGERIA?

This policy analysis aims to offer a comprehensive yet concise examination of how the Trump administration's tariff policies and broader trade actions will impact African economies, with Nigeria as a case study. By integrating trade theory, global economic linkages, and empirical observations, this discussion highlights the complexities of such policies and their unintended spillover effects. Nigeria's experience is uniquely shaped by its economic structure—particularly its dependence on oil exports—and pre-existing structural challenges, which interact with global trade dynamics in distinct ways.

The effects of U.S. trade policies on Nigeria are largely indirect, often mediated by global market reactions. Empirical assessments of these impacts are further complicated by concurrent economic shocks, such as oil price volatility and domestic policy changes. These overlapping factors make it challenging to isolate the precise consequences of U.S. tariff measures on Nigeria's economy.

In standard trade theory, tariffs function as taxes on imported goods, increasing their domestic prices. In large economies like the U.S., such policies typically reduce import volumes, prompting consumers to shift towards domestically produced alternatives. In a broader general equilibrium framework, tariffs can distort relative prices on a global scale, introduce inefficiencies, and result in welfare losses, commonly referred to as "deadweight losses".

When the U.S. imposes tariffs on imports, such as Chinese manufactured goods, global exporters will cut exports to the country while U.S. domestic buyers seek alternative suppliers, even if these substitutes are less efficient or more expensive. This process, known as trade diversion, reshapes global trade patterns and disrupts supply chains. Given the interconnected nature of modern production networks, disruptions in one segment—whether caused by tariff-induced price increases or heightened uncertainty—can send shockwaves across supply chains, affecting producers and exporters worldwide, including those in economies not directly targeted by the tariffs.

Beyond tariffs, the Trump administration's broader trade protectionism and unilateralism approach—characterised by a preference for bilateral agreements, scepticism toward multilateral trade deals, and an "America First" doctrine—had wider implications for global trade governance. Such policies tend to promote protectionism and signal a shift away from a rules-based international trading system. For economies that depend on stable, multilateral trade relations, this shift can introduce new vulnerabilities. Increased protectionism also fosters uncertainty, leading firms to delay investment decisions or reconfigure supply chains. This uncertainty, in turn, can weaken foreign direct investment (FDI) inflows and slow economic growth, particularly in economies like Nigeria that are integrated into global value chains.

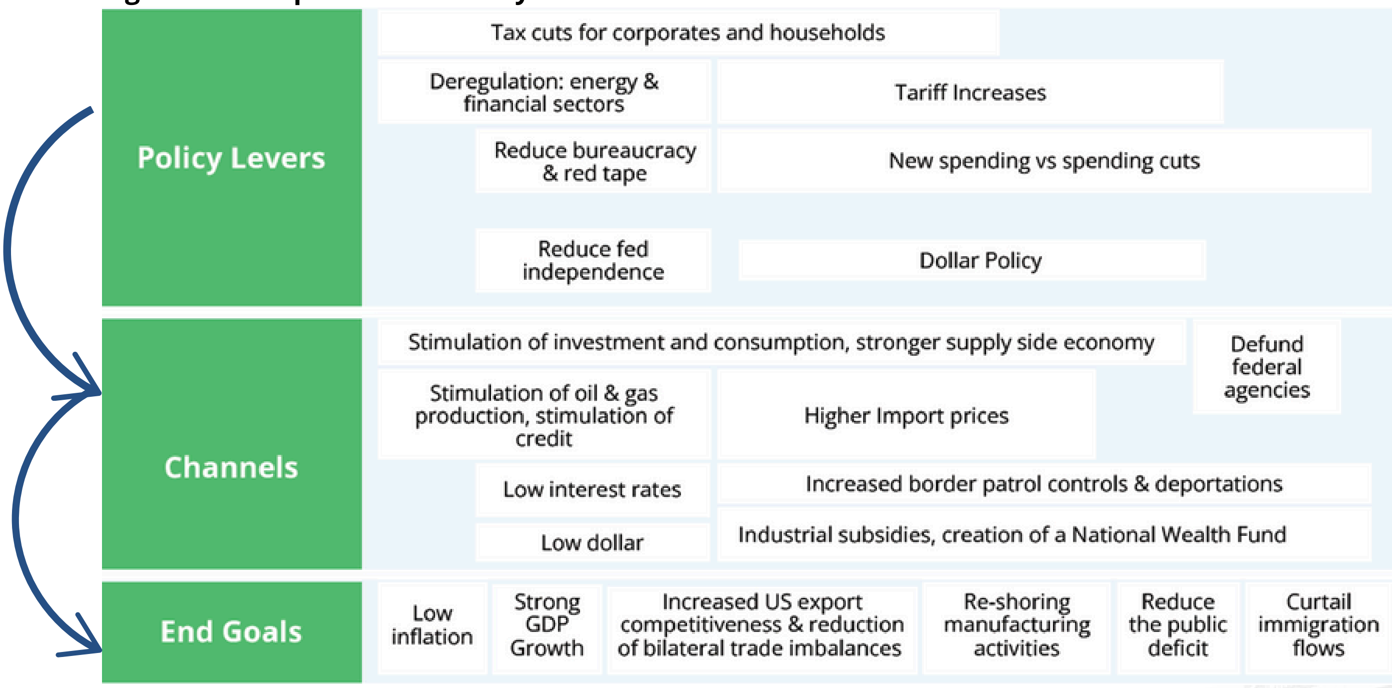
2. A GLANCE INTO TRUMPONOMICS PLAYBOOK

In a widely anticipated policy shift, Donald Trump, inaugurated as U.S. President on January 20, 2025, after defeating former President Joe Biden, has launched sweeping economic and geopolitical reforms. His administration's renewed focus on protectionist trade policies, fiscal conservatism, corporate tax reforms, energy dominance, and a temporary freeze on foreign aid marks a decisive return to the "America First" agenda.

A key feature of Trump's second term is an aggressive tariff strategy aimed at shielding domestic industries and reducing reliance on foreign competitors. His administration has implemented the largest import tax hike in decades, imposing a 25 percent tariff on most goods from Canada and Mexico[1] (with a 10 percent tariff on Canadian energy) and raising tariffs on Chinese imports by 10 percent. These measures are projected to cost a typical U.S. household over US$1,200 annually (PIIE, 2025), reinforcing a shift towards economic nationalism.

Even before taking office, Trump had threatened a 100 percent tariff on BRICS nations if they proceeded with plans to create an alternative currency challenging the U.S. dollar's dominance in global trade. This pre-emptive stance highlights his administration's intent to safeguard U.S. financial hegemony and maintain the dollar's central role in international commerce.

Figure 1: Trumponomics 2.0 Playbook



Source: Allianz Research

[1] Tariffs on Mexico and Canada have been paused for 30 days

3. STRATEGIC IMPLICATIONS FOR THE NIGERIAN ECONOMY

Although most of Trump's tariffs did not directly target Nigeria, several channels highlight how shifts in U.S. trade policy may have impacted its economy. Changes in trade and immigration policies, foreign aid, and energy strategies under President Trump in 2025 will have significant effects on Nigeria and other emerging economies. For a detailed analysis, see Table 1.

- **Trade and Investment:** Nigeria, as one of Africa's largest economies, faces potential trade disruptions due to increased U.S. protectionism. Tariff hikes on key commodities could reshape global supply chains and disrupt international trade. The future of AGOA, set to expire in September 2025, remains uncertain under Trump's second term, especially given his less focus on Africa during his first term. However, if AGOA is renegotiated or its benefits reduced, it could impact trade in Nigeria, as the US remains one of the country's top five export destinations for oil and agricultural products. Additionally, tariff hikes and trade restrictions may pose challenges for Nigerian businesses exporting to the U.S. market.

- **Energy Markets:** Trump's plan to increase oil production levels in the US, especially in shale oil and gas, could create supply gluts forcing global crude oil prices to fall. With increased supply, OPEC+ might adjust production levels to prevent further decline in global oil prices. A cut in OPEC crude oil production quota for Nigeria or a drop in global crude oil price below Nigeria's budget benchmark, could trigger fiscal pressures, reduce government revenues, and dampen economic growth, as experienced in 2016 and other years of lower crude oil prices.

Table 1: Short-term impacts and Sectoral Analysis

Action	Explanation	Impact on the Nigerian Economy	Sectors of High Impacts
Escalation of Tariffs	• The administration imposed a 25 percent tariff on Canada and Mexico and 10 percent on China. • Planned a universal 10–20 percent tariff, with 60 percent on Chinese goods. • Imposed a 25 percent tariff on all steel and aluminium imports into the U.S. with no exceptions or exemptions.	Neutral	Manufacturing | Agriculture | Trade |Transport
Shift in Trade Philosophy	• The administration prioritises the U.S.'s interests in a zero-sum trade approach, shifting away from free-trade principles.	Negative	Trade (External) | Oil & Gas
Immigration	• Suspended refugee programme. • Signs order to end birthright citizenship for undocumented immigrants and for people with temporary status in the U.S.	Neutral	Financial (Remittance)
Withdrawals	• Pulls out of World Health Organisation & Paris Climate Accord.	Negative	Health |Agriculture
Energy	• Declared a "National Energy Emergency". • Revoked Biden EV mandates and restarted the LNG exports application.	Negative	Oil & Gas

POSITIVE NEGATIVE NEUTRAL

- **Remittance:** With President Trump's stricter immigration policies, including heightened deportations of undocumented immigrants, visa restrictions, and limits on work permits, Nigerian diaspora communities in the U.S. could face greater challenges in maintaining stable employment. As one of the largest recipients of diaspora remittances in Sub-Saharan Africa, Nigeria accounted for over 35 percent of total inflows (World Bank, 2024). This could have a moderate impact on Nigeria's remittance inflows, the balance of payments, and household incomes that depend on these inflows.

- **International Foreign Assistance:** Nigeria is one of the top aid recipients in Africa, with over US$1 billion in funding received in 2023 to support various activities, including emergency response, healthcare, agriculture, education, water and sanitation. Trump's decision to review and realign foreign assistance, including a 90-day halt on most foreign aid, could present both challenges and opportunities for emerging economies like Nigeria. On the one hand, reduced foreign aid flows could strain government budgets and slow development initiatives. On the other, it creates an opportunity for Nigeria to redefine its aid strategy by prioritising domestic funding sources and re-evaluating its economic partnerships with other nations, particularly with China and the EU, to reduce dependence on foreign aid from the U.S..

- **Monetary Policy:** The Federal Reserve kept rates at 4.25-4.5 percent in January 2025, pausing its rate-cutting cycle after a 100bps reduction in 2024. However, Trump's tariff hikes could push inflation higher and increase the likelihood of renewed rate hikes. For Nigeria, this could pose key risks of diverting foreign investments away from Nigeria to safer, higher-yielding U.S. assets, which could weaken the Naira, increase import costs and inflation, and may reduce Nigeria's ability to attract FDI, as investors favour U.S. markets.

Table 2: Risk Assessment Matrix: Trump 2.0 Policies on Key Economic Variables in Nigeria

Variable	Risk	Likely Impact	Opportunities for the Nigerian Economy
Oil Prices	Increased U.S. shale production lowers global oil prices.	High	Diversify revenue sources; accelerate economic diversification away from oil dependency and optimise other non-oil revenue sources.
	Geopolitical tensions (e.g., U.S.-China trade war) increase oil price volatility.	Moderate	Build fiscal buffers; hedge against oil price fluctuations.
Current Account/BOP	Decline in oil exports due to lower prices or U.S. tariffs.	High	Boost non-oil exports; Leverage regional trade under AfCFTA.
	Reduced remittances due to stricter U.S. immigration policies.	Moderate	Encourage alternative remittance channels; promote diaspora bonds.
Investment Flows (FDI & FPI)	Reduced FDI due to U.S. "America First" policies	Moderate	Improve ease of doing business; attract investment from other regions.
	FPIs decline due to global economic uncertainty from Trump's policies.	High	Strengthen domestic capital markets; reduce reliance on volatile FPIs.

Variable	Risk	Likely Impact	Opportunities for the Nigerian Economy
Remittances	Stricter U.S. immigration policies reduce remittance inflows.	Moderate	Diversify remittance sources (e.g., EU, Middle East); incentivise formal remittance channels.
Monetary Policy	Stronger U.S. dollar pressures the Naira, leading to currency depreciation	High	Strengthen monetary policy to stabilise the Naira; build foreign exchange reserves.
	Higher global interest rates increase borrowing costs for Nigeria.	High	Refinance debt at favourable rates; focus on concessional loans.
Economic Growth	Lower oil prices and reduced remittances slow GDP growth.	High	Accelerate diversification into agriculture, manufacturing, and services.
	Reduced FDI and FPIs constrain investment and job creation.	Moderate	Implement structural reforms to attract domestic and foreign investment.
Fiscal Risks	Lower oil revenues widen the budget deficit, increasing borrowing needs.	High	Implement fiscal consolidation, reduce non-essential spending, and boost non-oil revenues.
	Reduced foreign aid strains budgets, impacting social development activities previously aided by USAID.	Moderate	Strengthen partnerships with multilateral institutions; attract private sector investment.
Debt Sustainability	Higher global interest rates increase debt servicing costs	Moderate	Efforts should continue to enhance the country's creditworthiness and improve credit ratings. This will enable access to low-cost debt facilities.
	Weaker Naira increases the local currency cost of external debt servicing	Moderate	Build foreign exchange reserves and stabilise the Naira through a coordinated mix of monetary, fiscal, and trade policies.

Adversely High Level	Adversely Moderate Level	Adversely Low Level

4. CLOSING REMARKS

The second-term agenda of President Trump reinforces a vision of American self-sufficiency, economic nationalism, and global influence through energy dominance and financial hegemony. For Nigeria and other emerging economies, these shifts necessitate strategic adaptations. Diversifying trade partners, reducing dependence on oil revenues, and strengthening regional economic integration will be critical in navigating the changing global landscape. While Trump's policies may create short-term challenges, they also provide an impetus for developing nations to pursue greater economic resilience and self-reliance in an increasingly multipolar world.

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