



New Trade Protectionism and FDI Flows to Africa: An Analytical Study in a Changing Geopolitical Context



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Abstract

Since 2016, “new trade protectionism” has intensified, most visibly in elevated U.S. tariffs, most African countries will face the “baseline” 10 percent tariff and higher rates for selected economies. Drawing on UNCTAD and World Bank data, this study uses a descriptive-analytical, quantitatively supported design to assess effects on FDI inflows to Africa (2020–2024). In 2024, inflows reached USD 97 billion (+75% year-on-year), but the increase was largely driven by a mega urban development project in Egypt; excluding it, net inflows rose only 12% to about USD 62 billion. The study argues that trade-war spillovers—supply-chain disruptions and weaker global demand for primary commodities—threaten African economies more than direct tariffs, and it offers an integrated framework with evidence-based policy recommendations.

Keywords

Foreign direct investment;
Africa;
Trade protectionism;
Trade wars;
Trade policy;
Tariffs;
African Continental Free
Trade Area (AfCFTA).

الكلمات المفتاحية

الاستثمار الأجنبي المباشر؛
إفريقيا؛
الحماية التجارية؛
الحروب التجارية؛
السياسة التجارية؛
التعريفات الجمركية؛
منطقة التجارة الحرة
القارية الإفريقية
(AfCFTA).

سياسات الحماية التجارية الجديدة وتدفقات الاستثمار الأجنبي المباشر إلى إفريقيا: دراسة تحليلية في ظل التحولات الجيوسياسية المعاصرة

ملخص

منذ عام 2016، تصاعدت الحماية التجارية الجديدة، وذلك من خلال ارتفاع الرسوم الجمركية الأمريكية على الواردات، حيث تواجه معظم البلدان الأفريقية رسوما بنسبة 10%، بالإضافة إلى معدلات أعلى لاقتصاديات إفريقية مختارة، واستنادا إلى بيانات (UNCTAD) والبنك الدولي (World Bank)، تستخدم هذه الدراسة منهجية وصفية تحليلية كمية بهدف تقدير آثار هذه التحولات على تدفقات الاستثمار الأجنبي المباشر إلى إفريقيا، من سنة 2020 حتى عام 2024، وتشير النتائج إلى أن التدفقات بلغت 97 مليار دولار أمريكي سنة 2024 (+75% على أساس سنوي)، لكن هذه الزيادة كانت مدفوعة بشكل كبير بمشروع عمراني ضخم في مصر، وباستبعاد هذا العامل الاستثنائي، لا ترتفع التدفقات الصافية إلا بنسبة 12% مسجلة نحو 62 مليار دولار أمريكي. وتتمثل الآثار غير المباشرة للحروب التجارية في اضطراب سلاسل الإمداد وضعف الطلب العالمي على السلع الأولية، وهذا يمثل تهديدا للاقتصادات الإفريقية يفوق أثر الرسوم الجمركية المباشر.

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Doi:

I- Introduction:

Foreign direct investment (FDI) is widely regarded as a key driver of economic growth in developing countries in general and in Africa in particular, as it contributes to technology transfer, job creation, and productivity enhancement. However, since 2016 the international trade environment has experienced deep shifts that have reshaped global FDI patterns. Geopolitical tensions and strategic trade conflicts—most notably the U.S.–China confrontation—have generated a highly volatile and uncertain environment, prompting investors to reassess investment risks on a broad scale.

Recent statistics indicate that Africa continues to capture a modest share of global FDI, averaging no more than 3.5% over 2010–2023, compared with 34% for Asia and 11% for Latin America.¹ Although FDI inflows to the continent rose sharply in 2024 by 75% to USD 97 billion, roughly three-quarters of these inflows remain concentrated in extractive sectors.² In parallel, U.S. President Donald Trump introduced an across-the-board 10% import tariff on goods from all trading partners, with higher rates applied to selected African economies such as Lesotho (50%), South Africa (30%), Nigeria (31%), and Madagascar (47%).³

Research gap:

Prior scholarship has examined the relationship between trade policy and FDI at the global level, but it has largely focused on Asian and Latin American economies. Nevertheless, the literature still lacks comprehensive studies that assess the compounded impact—both direct and indirect—of new trade protectionism on FDI flows to Africa in the context of contemporary geopolitical transformations, particularly in light of the expiration of the African Growth and Opportunity Act (AGOA) and the introduction of new U.S. tariffs. In addition, the literature has yet to develop an analytical framework that integrates conventional FDI theories with Africa's contemporary context under a renewed wave of protectionism.⁴

Research problem and objectives:

The central research question is: What is the impact of new trade protectionism policies on FDI flows to the African continent? This main question is operationalized through the following sub-questions:

1. What is the nature of the direct effects of the new U.S. tariffs on FDI flows to Africa?
2. How do trade wars between major powers (the United States and China) indirectly affect Africa's attractiveness for FDI?
3. What role can the African Continental Free Trade Area (AfCFTA) play in mitigating the adverse effects of trade protectionism on investment?

Accordingly, the main objective is to analyze the direct and indirect effects of new trade protectionism policies on FDI flows to Africa over 2016–2024 and to propose appropriate policy recommendations. The sub-objectives are to: (a) assess the magnitude and trends of FDI inflows to Africa during a period of rising protectionism; (b) identify the channels through which protectionist policies influence FDI decisions; and (c) evaluate the effectiveness of African counter-strategies, especially AfCFTA.

Hypotheses:

Main hypothesis: New trade protectionism policies adversely affect FDI flows to Africa.

Sub-hypotheses:

H1: The new U.S. tariffs exert a direct negative effect on FDI inflows to African countries with stronger trade exposure to the U.S. market.

H2: Trade wars among major powers reduce FDI flows to Africa through indirect channels (supply chain disruptions; declining primary commodity prices).

H3: AfCFTA contributes to mitigating the adverse effects of protectionism on FDI inflows to Africa.

Theoretical and practical significance:

The study contributes theoretically by enriching the literature on trade policy–FDI linkages in the African context and by applying Dunning's OLI paradigm under the conditions of a renewed protectionist environment. Practically, it provides actionable insights for African policymakers on how to manage protectionism-related spillovers while strengthening the attractiveness of domestic investment environments.

Article structure

Section Two presents the theoretical framework. Section Three reviews the prior literature. Section Four outlines the research methodology. Section Five reports results and analysis. Section Six discusses the findings. The paper concludes with implications and policy recommendations.

I.1. Theoretical framework:

I. 1. 1. Operational concepts and definitions

Foreign direct investment (FDI). According to UNCTAD, FDI refers to an investment that entails a long-term relationship and reflects a lasting interest and control by a resident entity in one economy (the direct investor or parent enterprise) over an enterprise resident in another economy (the direct investment enterprise). It comprises three main components: equity capital, reinvested earnings, and intra-company loans.⁵

New trade protectionism (neo-protectionism). This concept denotes a set of contemporary trade restrictions that extend beyond conventional tariffs to include non-tariff barriers, technical standards, anti-dumping measures, technology-related restrictions, and “buy national” or local-preference policies. In contrast to traditional protectionism, neo-protectionism is often characterized by a more “disguised” nature and the deployment of multiple policy instruments.⁶

African Continental Free Trade Area (AfCFTA) is a comprehensive African trade agreement aimed at establishing a single market for goods and services through tariff reductions and streamlined trade regulations. It is projected to increase Africa’s exports to the world by 32% by 2035 and to stimulate FDI inflows by an estimated 111% to 159%.⁷

I. 1. 2. Theories and analytical approaches: This study builds on three core theoretical perspectives:

First, Dunning’s eclectic paradigm (the OLI framework) is arguably the most comprehensive theoretical approach to explaining FDI. Developed by the British economist John Dunning (Dunning, 1977), it rests on ownership advantages (O), location advantages (L), and internalization advantages (I). Ownership advantages relate to firm-specific assets that are difficult to imitate; location advantages capture the geographic and institutional attributes of the host country; internalization advantages explain why a firm undertakes FDI rather than licensing or exporting. Within this study, protectionist policies are expected to affect location advantages directly by changing market-access costs and reducing the attractiveness of the investment environment.⁸

Dunning further distinguishes four principal motives for FDI: market-seeking, resource-seeking, efficiency-seeking, and strategic asset-seeking. Protectionist policies may generate heterogeneous effects depending on the underlying motive: they may encourage market-seeking investment (consistent with the tariff-jumping hypothesis) while discouraging efficiency-seeking investment that relies on cross-border supply chains.⁹

Second, dependency theory helps explain the vulnerability of African economies to external trade shocks. It highlights the reliance of such economies on exporting primary commodities and importing manufactured goods, making them sensitive to shifts in trade policies in advanced economies. Within this perspective, U.S. trade restrictions may affect Africa even if the direct bilateral trade share is limited.¹⁰

Third, realism in international relations is used to interpret protectionist policies as geopolitical instruments rather than purely economic measures. From this view, tariffs function as tools to reconfigure the balance of global economic power. This lens supports an interpretation of why trade policy may be deployed to enhance international leverage even at the expense of mutual commercial interests.¹¹

I. 1. 3. Proposed theoretical model: The study proposes a conceptual model linking the core variables as follows:

- **Independent variable:** New trade protectionism policies (tariffs; non-tariff barriers; technology restrictions).
- **Transmission channels:**
 - **Direct channel:** Tariffs on African exports reduce export competitiveness, thereby lowering investment attractiveness.
 - **Indirect channel:** Global trade wars disrupt supply chains, generating commodity price volatility and investment uncertainty.

- **Investment redirection channel:** “America First” type policies are expected to redirect capital toward the United States, potentially reducing inflows to emerging markets.¹²
- **Dependent variable:** FDI inflows to Africa (volume, composition, and geographic distribution).
- **Mediating variable:** AfCFTA as a potential mitigation mechanism.
- **Control variables:** Institutional quality; economic size; political stability; infrastructure; exchange rate.

II– Literature review:

II.1. International research trends: International scholarship on trade policy and FDI can be organized into three main strands.

The first strand concerns the impact of tariffs on FDI. An ECB Working Paper (2025) reports that tariff increases between 2016 and 2023 were associated with a rise in aggregate greenfield FDI projects, lending support to the tariff-jumping hypothesis. However, this positive association reverses for manufacturing investment, where sharp tariff increases significantly deter investment. The study concludes that the “protectionist gamble” is unlikely to succeed if broad tariff hikes raise supply-chain costs and depress investment.¹³

Harfouche (2025) examines the effects of the 2016–2025 U.S.–China trade war on FDI patterns. He finds that escalating tariffs and technology restrictions have redirected investment toward politically stable economies in Southeast Asia and Latin America, reflecting a “China +1” strategy. Sectorally, traditional manufacturing industries contracted while the technology and renewable energy sectors expanded.¹⁴

A World Bank study (2021) on deep trade agreements finds that comprehensive trade agreements strengthen FDI flows; by implication, retreating from trade commitments weakens such flows.¹⁵

The second strand addresses the effects of protectionism on developing economies. A study published in *Inspira Journals* (2025), focusing on developing economies including South Africa, argues that protectionism may provide short-term relief yet reduces long-run efficiency, innovation, and global welfare. For developing economies, it may raise costs, slow growth, and increase unemployment risks.¹⁶

Another study (IJIRME, 2025) assesses the effects of Trump-era tariffs (2018–2020) on BRICS countries using multiple regression analysis. It finds that economies with higher exposure to the U.S. market, such as China and India, experienced sharper contractions in GDP, while effects were less pronounced in South Africa and Russia. The study highlights strategic adjustments including partnership diversification and domestic industrial policies.¹⁷

The third strand emphasizes the role of regional integration in countering protectionism. World Bank estimates suggest that AfCFTA could raise intra-African trade by 109% and increase FDI inflows by 111% to 159%. The agreement is expected to transform Africa into one of the world’s largest unified markets, reinforcing its appeal to foreign investors.¹⁸

II.2. Regional and local research trends:

In the African and Arab research landscape, multiple studies have addressed protectionism and FDI in Africa.

Zeggai and Hitala (2025), published in a legal and political research journal at the University of Mostaganem (Algeria), analyze protectionism and its implications for FDI amid geopolitical tensions. They argue for economic and trade resilience and for honoring commitments under the WTO framework to facilitate foreign investment flows.¹⁹

A study in Nkechi and al.(2024) examines the impact of political turbulence on FDI inflows in Nigeria, Ghana, Kenya, and South Africa using a panel ARDL model, reporting that political instability significantly deters FDI.²⁰

Hawliya and Bouraada (2020) assess FDI flows in North African countries, concluding that despite Africa’s substantial human and material resources and natural wealth, it captures only a small share of global FDI, most of which remains concentrated in hydrocarbons.²¹

Tapsoba (2025), in a Policy Center for the New South paper, explores the macroeconomic implications of “Trump 2.0” for Africa. The study argues that African trade is less likely to be directly targeted by U.S. protectionist policy given Africa’s limited share in total U.S. trade; however, indirect effects from global trade wars constitute the most significant threat.²²

Kohnert (2025) analyzes the impact of “Trump 2.0” on Sub-Saharan Africa, suggesting that U.S. protectionism and anti-multilateralism negatively affected market access for African countries benefiting from AGOA and diminished the act’s priority in U.S. policy.²³

Finally, Hes (2025) analysis reports that, according to World Bank (2024) evidence, more than 60% of small and medium-sized enterprises in Sub-Saharan Africa experienced supply-chain delays due to global trade tensions.²⁴

II.3. Critical synthesis and the research gap

Most studies converge on the view that protectionist policies impose adverse effects on developing economies in general and on FDI flows in particular. Nevertheless, there is clear variation in how the magnitude and pathways of these effects are assessed. While the ECB study indicates that tariff-jumping may enhance certain types of investment, scholarship on developing economies emphasizes a negative net effect due to institutional fragility and commodity dependence. Importantly, much of the literature examines either the direct effect (tariffs) or the indirect effect (supply-chain disruption) in isolation, rather than offering an integrated analysis that jointly models both channels in the African context.

Table 1: summary of previous studies

Author/source	Year	Method	Main findings	Gap addressed by the present study
ECB Working Paper	2025	PPML gravity model	Tariffs strengthen aggregate investment but deter manufacturing investment	Does not focus specifically on Africa
Harfouche	2025	Mixed-methods	Trade war redirected investment to Southeast Asia	Does not examine effects on Africa
Zeggai & Hitala	2025	Descriptive-analytical	Trade resilience is required to attract investment	Does not provide quantitative testing
Tapsoba	2025	Policy analysis	Direct effects are limited; indirect effects are larger	Does not test hypotheses statistically
Britz et al.	2025	CGE model	Negative effects on specific African economies	Focuses on AGOA without FDI
UNCTAD	2024–2025	Statistical reports	2024 FDI +75% driven by a mega project in Egypt	Descriptive reporting without causal analysis
Nkechi and al.	2024	Panel ARDL	Political turbulence reduces FDI	Does not address trade protectionism

Source: Compiled by the author.

Overall, the primary gap is the absence of a comprehensive analytical study integrating direct and indirect channels through which new trade protectionism affects FDI flows to Africa, while explicitly accounting for regional integration as a mediating variable.

III- Methodology

III.1. Research approach and design

The study employed a descriptive–analytical approach supported by quantitative analysis. This design is aligned with the research problem, which requires describing FDI flow dynamics and analyzing determinants under the new protectionist environment. The approach combines qualitative analysis of policies and institutional settings with quantitative analysis of statistical data to provide a more comprehensive understanding of the phenomenon under investigation.

III.2. Population and sample

The research population comprises all African Union member states (55 countries). A purposive sample of 15 African countries was selected to capture the continent’s geographic and economic diversity: Egypt, South Africa, Nigeria, Kenya, Ethiopia, Morocco, Tunisia, Ghana, Tanzania, Mauritius, Angola, Algeria, Rwanda, Madagascar, and Lesotho. Sampling considerations included representation of the five sub-regions (North, South, East, West, and Central Africa), variation in trade exposure to the United States, and heterogeneous economic structures (oil-based economies; manufacturing-oriented economies; service-based economies).

III.3. Data sources

The study relied on publicly available secondary data from:

- UNCTAD's FDI/MNE Database for FDI flows;
- World Bank World Development Indicators (WDI) for macroeconomic variables;
- the Global Trade Alert database to track protectionist measures and trade-policy actions;
- IMF reports for economic stability indicators;
- Worldwide Governance Indicators (WGI) for institutional quality variables.

The dataset spans 2010–2024, with an analytical focus on the protectionism escalation period (2016–2024) relative to the preceding period (2010–2015).

III.4. Validity and reliability

The data sources were selected for their credibility and academic standing as outputs of internationally recognized institutions. Time-series stationarity was assessed using unit-root tests (ADF and Phillips–Perron), and cointegration tests were conducted to evaluate long-run relationships among the variables.

Statistical and analytical techniques

The following methods were used:

- Descriptive statistics (means, standard deviations, growth rates) to describe FDI inflow patterns;
- Correlation analysis to assess associations between protectionism indicators and FDI inflows;
- Panel-data models, including fixed effects and random effects, with the Hausman test used to select the appropriate specification;
- Temporal comparison of investment indicators before and after the protectionism escalation;
- Software: EViews 12 for statistical estimation.

IV- Results and analysis:

IV.1. FDI inflow trends to Africa

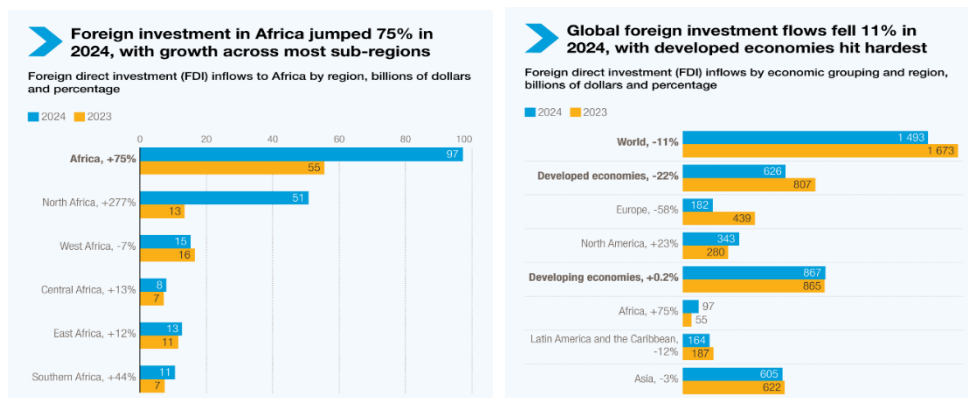
The data indicate pronounced volatility in FDI inflows to Africa over the study period. Inflows declined by 3% in 2023 to USD 53 billion, followed by an exceptional jump in 2024 of 75% to USD 97 billion, mainly driven by an international project-finance deal associated with a mega urban development project in Egypt. Excluding this exceptional increase, net inflows rose by 12% to approximately USD 62 billion.²⁵

Table 2: Key indicators table

Indicator	2022	2023	2024
FDI inflows to Africa (USD billions)	54.56	55.41	97.03
Africa's share of global FDI (%)	3.4	3.7	6.0
International project finance deals (change %)	—	–25	+15
Greenfield projects	declined	declined	declined (except North Africa)

Source: Compiled from UNCTAD reports 2024 and 2025.²⁶

Figure 1: Global FDI flows, 2024 (USD billion)



Source: UN Trade and Development (UNCTAD), FDI/MNE database.

In 2024, Africa recorded an unprecedented 75% increase in foreign direct investment, a jump largely attributable to a single large-scale infrastructure initiative in Egypt. When this outlier is excluded, FDI to the continent still rose by 12%, underpinned by ongoing investment policy reforms and strengthened investment facilitation efforts across African economies. Geographically, North Africa led the growth in 2024. In addition to Egypt's strong performance, inflows to Tunisia rose by 21% to USD 936 million, and inflows to Morocco increased by 55% to USD 1.6 billion. East and Southern Africa also experienced an increase of 154%, reaching record levels. In contrast, FDI inflows to South Africa fell from USD 9.28 billion in 2022 to USD 3.47 billion in 2023 and to USD 2.47 billion in 2024.²⁷

IV.2. Direct tariff effects (testing H1)

The analysis suggests that the direct impact of the new U.S. tariffs on FDI flows to Africa is relatively limited for two main reasons. First, Africa accounts for a small share of total U.S. trade, which reduces its exposure to direct targeting by protectionist measures. Second, Africa's trade with the United States is heavily concentrated in primary commodities (oil, minerals, and agricultural products), which follow market dynamics that differ from those governing manufactured goods.²⁸

However, this limited direct effect is not uniform across African countries. A computable general equilibrium (CGE) model implemented by Britz et al. (2025) reports notable adverse effects on specific economies such as Lesotho, Madagascar, Chad, Botswana, Nigeria, South Africa, Mauritius, and Malawi. Sectors such as apparel, leather products, and other manufacturing activities are expected to be affected more severely, which may undermine the attractiveness of these countries for export-oriented FDI.²⁹

Andreoni (2025, SOAS) further argues that the new tariff regime may create perverse incentives for African economies by favoring exports of unprocessed primary commodities over manufactured products, thereby constraining new growth pathways and encouraging deindustrialization.³⁰

Decision regarding H1: Partially supported—direct effects appear limited at the aggregate level but substantial for countries with higher trade exposure to the U.S. market.

IV.3. Indirect effects of trade wars (testing H2)

The findings indicate that the indirect effects of trade wars constitute the largest threat to FDI flows to Africa, operating through three main channels:

IV.3.1. Global supply-chain disruptions. World Bank (2024) evidence indicates that more than 60% of SMEs in Sub-Saharan Africa reported supply-chain delays due to global trade tensions, including reduced access to intermediate inputs and spare parts. Such disruptions weaken Africa's attractiveness as an efficiency-seeking production platform for foreign investors.³¹

IV.3.2. Primary commodity price volatility. As China is a major destination for African commodity exports (oil, copper, cobalt, and agricultural products), a trade-war-induced slowdown in China can reduce export revenues in resource-dependent economies such as Angola, Nigeria, Zambia, and the Democratic Republic of the Congo. A slower

Chinese economy may also prompt Beijing to reassess outward investment, including commitments under the Belt and Road Initiative.³²

IV.3.3. Reallocation of capital flows. Under “America First”-type policies, capital flows may become more concentrated toward the United States, potentially at the expense of emerging markets, including Africa. U.S. direct investment in Africa reportedly declined, with a shift from mining (which previously accounted for more than 50% of total U.S. investment) to non-mining sectors; the mining share fell to 32% by 2020.³³

Table 3: Indirect-channel summary table

Indirect channel	Quantitative indicator	Source
Supply-chain disruptions	60%+ of African firms reported delays	World Bank 2024
Reduced Chinese investment	Anticipated decline under BRI-related commitments	Tapsoba 2025
Declining U.S. investment	Mining share fell from 50%+ to 32% by 2020	
Capital-flow reallocation	12% decline in investment to Latin America in 2024	UNCTAD 2025 ³⁴

Decision regarding H2: Supported—indirect channels constitute the principal mechanism of adverse impact.

IV.4. The role of AfCFTA (testing H3)

The analysis suggests that AfCFTA holds significant potential to mitigate the adverse effects of trade protectionism, although its realized impact remains at an early stage. FDI inflows to AfCFTA member countries increased by 17% over 2021–2023. AfCFTA may enhance Africa’s investment attractiveness through: (a) creating a unified market of more than one billion consumers; (b) reducing intra-African trade barriers equivalent to an 18% import tariff; and (c) encouraging industrial upgrading by expanding intra-African trade in manufactured goods.³⁵

Nonetheless, several constraints hinder full implementation, including gaps in physical and digital infrastructure and limited institutional capacity in many member states. Moreover, Sub-Saharan Africa attracted only USD 0.7 billion in greenfield investment projects in 2024, covering merely 5% of its estimated financing needs of USD 14.1 billion.³⁶

Decision regarding H3: Partially supported—potential is strong, but realized effects remain constrained by implementation challenges.

IV.5. Analytical synthesis

Three broad patterns emerge from the results. First, there is sharp geographic concentration of FDI inflows in a limited number of African countries (Egypt, South Africa, Nigeria, Morocco), which may render aggregate indicators misleading. Second, extractive sectors continue to dominate, while manufacturing and technology-related sectors remain comparatively weak. Third, vulnerability to protectionism varies substantially by economic structure and country-specific trade exposure.

IV- Discussion:

IV.1. Interpreting the findings:

The findings reveal a notable paradox: although FDI inflows to Africa reached a record level in 2024, this headline increase appears to reflect structural fragility more than investment robustness. Excluding the mega Egyptian project suggests that the “true” increase is only 12%, which remains modest relative to the continent’s development needs. The limited direct effect of U.S. tariffs can be explained by Africa’s marginal share in total U.S. trade; however, this does not imply an absence of risk. Rather, it suggests that the key transmission mechanisms are indirect and more complex.

A decline in Chinese demand for primary commodities—associated with trade-war dynamics—constitutes one of the most significant channels. China committed approximately USD 182.3 billion to infrastructure projects in Africa between 2000 and 2023; any contraction in Chinese investment could therefore generate amplified spillovers. At the same time, China’s announcement at FOCAC 2024 of a CNY 360 billion (USD 51.4 billion) financing plan over three years signals continued engagement, though it may remain sensitive to persistent tensions.³⁷

IV.2. Comparison with prior literature

The results align with Tapsoba (2025) in emphasizing that indirect effects exceed direct tariff effects and with Kohnert (2025) regarding the weakening of AGOA's role. They also resonate with the ECB study showing that tariffs particularly deter manufacturing investment, which is consistent with the continued dominance of extractive FDI in Africa relative to manufacturing.

By contrast, the evidence offers limited support for the tariff-jumping hypothesis in the African case. A plausible interpretation is that infrastructure and institutional constraints in many African economies reduce their attractiveness as alternative production locations even when protectionism increases the cost of cross-border trade.

IV.3. Theoretical contribution

The study contributes by extending the OLI framework through the introduction of “protectionism-driven uncertainty” as an additional determinant affecting location advantages in the African context. It also offers an integrated three-channel analytical model—direct, indirect via supply chains, and capital reallocation—that has been largely absent in prior Africa-focused scholarship.

IV.4. Policy implications: The findings generate several policy recommendations:

- Accelerate AfCFTA implementation as a strategic priority to deepen regional integration and reduce dependence on external markets, particularly given World Bank estimates that FDI could increase by up to 159%.
- Diversify investment partnerships to avoid over-reliance on a single source country and leverage geopolitical competition to improve investment terms.
- Improve the business climate and governance to attract non-extractive investment, particularly in technology, renewable energy, and manufacturing.
- Strengthen physical and digital infrastructure to close the gap that constrains productive investment, especially in Sub-Saharan Africa.

IV.5. Limitations:

The study acknowledges several limitations: reliance on secondary data may not fully capture short-run dynamics; the recency of certain protectionist policies (e.g., 2025 tariffs) can limit the ability to measure full effects; disentangling protectionism from other confounding shocks (COVID-19, energy crises, global inflation) remains challenging; and the purposive sample (15 countries) is limited relative to the continent's heterogeneity.

VI- Conclusion:

Summary of the research trajectory

This study examined how new trade protectionism affects FDI flows to Africa, drawing on a theoretical framework integrating Dunning's eclectic paradigm, dependency theory, and realism in international relations. Using a descriptive-analytical design supported by quantitative analysis for 15 African countries over 2010–2024, the findings suggest that the direct impact of U.S. tariffs is generally limited but varies with trade exposure, whereas indirect channels—supply-chain disruptions, commodity price volatility, and capital reallocation—constitute the primary threat.

Answer to the main research question

New trade protectionism policies exert an adverse effect on FDI flows to Africa primarily through indirect channels, including disruptions to global supply chains, volatility in primary commodity prices, and a reallocation of capital toward advanced economies. The direct tariff effect remains limited on average but differs substantially across countries depending on their exposure to the U.S. market.

Scientific contribution

The paper offers an integrated, three-channel analytical framework for understanding how trade protectionism transmits into FDI flows in the African context, and it enriches Dunning's OLI paradigm by incorporating

protectionism-driven uncertainty as a relevant determinant of international investment decisions in developing economies.

Recommendations

For researchers: pursue sector-specific analyses to identify heterogeneous effects of protectionism and apply more advanced quantitative methods (panel ARDL; structural modeling).

For practitioners: diversify markets and investment partnerships, with a focus on sectors less exposed to trade volatility such as technology and renewable energy.

For policymakers: prioritize AfCFTA implementation and improvements in the business climate and institutional governance, and expand tools for risk management such as political risk insurance and public–private partnerships.

Directions for future research

- Track the reallocation of Chinese outward investment under post-2025 dynamics: does investment shift from Asia to Africa, or contract globally under sustained tensions?
- Estimate the realized (not projected) effect of AfCFTA on FDI using difference-in-differences (DiD) designs as implementation deepens.
- Examine impacts on Africa’s digital economy under accelerating technology protectionism, particularly given reported growth in digital-sector FDI in recent years.

- Appendices:

Appendix 1: Sample countries and applicable U.S. tariffs (2025)

Country	Sub-region	Baseline U.S. tariff (%)	Additional tariffs	Economy size (classification)
Egypt	North Africa	10	—	Large
South Africa	Southern Africa	30	25% on vehicle imports	Large
Nigeria	West Africa	14	—	Large
Kenya	East Africa	10	—	Medium
Ethiopia	East Africa	10	—	Medium
Morocco	North Africa	10	—	Medium
Tunisia	North Africa	28	—	Small
Ghana	West Africa	10	—	Medium
Tanzania	East Africa	10	—	Medium
Mauritius	East Africa	40	—	Small
Angola	Central Africa	32	—	Medium
Algeria	North Africa	30	—	Large
Rwanda	East Africa	10	—	Small
Madagascar	East Africa	47	—	Small
Lesotho	Southern Africa	50	—	Very small

Source: Trump, D. J. (2025, April 2). *Regulating imports with a reciprocal tariff to rectify trade practices that contribute to large and persistent annual United States goods trade deficits* (Executive Order No. 14257). *Federal Register*, 90, 15041.

Appendix 2: FDI performance indicators in Africa (2020–2024)

Year	Total inflows (USD bn)	Change (%)	Share of world (%)	Main beneficiaries
2020	40.94	−16	4.0	Egypt; South Africa; Nigeria
2021	82.20	+100	5.0	Mozambique; Egypt; South Africa
2022	54.56	−34	3.4	Egypt; South Africa; Ethiopia
2023	55.41	+2	3.7	Egypt; Morocco; Nigeria
2024	97.03	+75	6.0	Egypt; Morocco; Tunisia

Source: UNCTAD reports 2024 and 2025.

Appendix 3: Foreign direct investment assets in Africa by source economy

European investors rank first in terms of the stock of direct investment assets in Africa, followed by U.S. investors and then Chinese investors. The value of Chinese investments in Africa is estimated at USD 42 billion and is increasingly diversified into new sectors, including pharmaceuticals and food industries. Moreover, one-third of Belt and Road-related projects are now reportedly concentrated in social infrastructure and renewable energy.³⁸

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