U.S., Africa Aim to Boost Trade

Leaders at Summit Seek to Renew Program Extending Tariff, Quota Exemptions

By WILLIAM MAULDIN in Washington and DREW HINSHAW in Accra, Ghana

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U.S. and African leaders meeting in Washington on Monday kicked off a campaign to renew a program that gives exemptions on U.S. tariffs and quotas in an effort to boost trade and stimulate the economies of sub-Saharan African countries.

Leaders in the U.S. and Africa are looking to spur economic ties at a time when trade between the two is sinking and China’s hunger for commodities is boosting Beijing’s influence on the continent.

American officials and lawmakers say extending the 14-year-old African Growth and Opportunity Act, or Agoa, is crucial to preserving trade ties with fast-growing African countries, especially when U.S. trade negotiations at the World Trade Organization and with other major economies have stalled.

China passed the U.S. in imports in 2012 and imported $88 billion from sub-Saharan Africa in 2013, according to the International Monetary Fund. Partly because of increased oil production at home, U.S. imports from the region plunged to $34.5 billion last year, from a peak of $78.2 billion in 2008, with exports showing some gains in recent years.

Agoa is part of a strategy to increase economic ties with a growing Africa—including in trade and power generation—as China strengthens ties on the continent and the European Union negotiates free-trade agreements there. The goal, U.S. officials say, is to replace foreign aid with trade.
Building economic ties could also help contain conflicts that have convulsed Africa, said Erastus Mwencha, deputy chairman of the 54-nation African Union.

But critics point out that the bulk of African trade is oil shipments from West Africa, and U.S. agricultural and textile interests have opposed efforts to expand the list of products eligible for tariff and quota breaks.

President Barack Obama’s trade policy has faced delays and dogged opposition in Congress, and a similar preferential tariffs program for the developing world was allowed to expire last year.

Still, trade with sub-Saharan Africa is so small that Mr. Obama and other officials say it shouldn’t be seen as a threat to the U.S. domestic industry. Non-oil Agoa trade was only about $5 billion in 2013, still up from just $1.4 billion in 2001, said U.S. Trade Representative Mike Froman.

That is because Africa’s factories and farms still face the same headaches as ever: ramshackle roads, debilitating blackouts, ports that need to be dredged and bureaucracies that process permits at a glacial pace.

Agoa "has not in fact been as powerful a stimulant in growing trade and investment as those who supported wanted," said Johnnie Carson, former assistant secretary of state for African affairs, in an interview. "Progress is being made—it’s just being made at a much slower rate than many of us had anticipated."

One way to boost trade with the U.S. further would be to loosen Agoa's rules for sugar, tobacco and cotton.

"The issue of cotton, of course, remains a key concern of Africa." Mr. Mwencha told Mr. Froman and representatives of 40 African countries gathered on Monday in Washington, the first day of the U.S.-Africa summit.

The U.S. is looking at make the criteria tougher for African countries to gain certain Agoa benefits, including in the areas of worker rights and rules that block agricultural trade, Mr. Froman said. He urged Congress to act soon to renew Agoa, since some factory owners and other investors need to make decisions a year or more in advance. The act needs to be reauthorized by September 2015.
"Things just take too long—it scares people," said Cliff Schiffman, director of sales and marketing for Cherry Tree, a Turkish clothing-sourcing company that manufactures in Kenya. "I think deep down, the Congress does want to support Africa....Unfortunately our legislative process is extremely slow."

Lawmakers say opening U.S. markets won't transform economic ties with Africa.

"Barriers to U.S. trade and investment in the region continue to inhibit the full potential of the U.S.-African trade relationship," a group of Democratic and Republican lawmakers who write trade legislation said in a joint statement on Monday.

—Patrick McGroarty in Johannesburg contributed to this article.

Write to William Mauldin at william.mauldin@wsj.com and Drew Hinshaw at drew.hinshaw@wsj.com