AGOA EXTENSION: A RUNWAY, NOT A STRATEGY

The AGOA extension buys time, not competitiveness. The winners in US apparel are growing even under tariffs because their ecosystems deliver speed, scale, compliance, and reliable inputs.

For Sub-Saharan Africa, the opportunity is to use this window to move beyond import-led assembly and build durable local value-add that survives the next policy cycle.

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The United States has signed into law an extension of the African Growth and Opportunity Act (AGOA), pushing the current sunset date to 31 December 2026 and retroactively restoring benefits for the period after 30 September 2025. For Sub-Saharan Africa's textile and apparel sector, the strategic question is not the duration of the extension, but what capability is built while the window is known.

The renewal is itself a signal. A short extension restores continuity, but it also reinforces that the programme remains conditional and politically live, including eligibility risk that can change country-by-country. The right response is not comfort, it is urgency: use the defined window to lock in capability that remains valuable even if duty-free access narrows or disappears.

AGOA is not, and has never been, the competitiveness story. It is a market-access overlay. The real story is whether the region uses this extension to hard-wire the ecosystems that make exports durable when preferences narrow, when rules shift, or when demand softens. The risk is familiar: treating a preference as an industrial strategy and waking up at the next renewal cliff with more factories, but not more capability.

What follows is simple: the extension window should be used to build the ecosystem that makes preference optional.

THE UNCOMFOTABLE TRUTH: TARIFF RELIEF IS THE EASIEST PART

Tariffs matter, but they are rarely the decisive factor in apparel and home textiles once a buyer is choosing between credible suppliers. What drives repeat orders is execution: predictable lead times, consistent quality, and audit-ready compliance. A supplier that delivers reliably stays in the sourcing plan even when border costs shift; a supplier that misses ship dates or fails audits will be cut regardless of tariff relief.

That is why preference dependence is fragile: it pulls attention to the border, while competitiveness is determined by what sits behind it, including input availability, productivity, compliance systems, logistics performance, and access to working capital.

THE IMPORT-DEPENDENCY TRAP: WHY LOCAL VALUE-ADD HAS REMAINED THIN

AGOA's apparel pathway has always been a double-edged sword. On one hand, it lowers the threshold for entry into the US market by allowing production systems to scale quickly. On the other, it can lock countries into a narrow "cut-make-trim" model if the policy is treated as the strategy, rather than as a runway.

This is the structural trap that the extension must be used to break.

AGOA's apparel provisions include a 'Special Rule' for lesser-developed beneficiary countries, allowing duty-free and quota-free access for apparel made from fabric originating anywhere in the world (the widely referenced third-country fabric feature), subject to caps. In practical terms, this has often made the fastest route to AGOA utilisation a cut-make-trim model anchored on imported fabric and yarn, rather than an upstream build-out into spinning, weaving/knitting, dyeing/finishing, and trims.

That structure has had two simultaneous effects:

1. **It lowered the entry barrier for export-oriented assembly.** That is positive, especially where the priority was rapid job creation and learning-by-doing in garment manufacturing.

2. **It softened the commercial pressure to build upstream capacity.** If the incentive works even when the highest-value inputs are imported, the returns to investing in local yarn, fabric, and processing can look less immediate, particularly where energy costs, finance costs, and infrastructure risk make upstream investment hard.

AGOA's design has therefore often produced a predictable balance: imported fabric and inputs, local cutting and sewing, and limited upstream investment. When preference design makes it rational to import most value and add only labour locally, the ecosystem that would make exports resilient (and margins stronger) is slower to form.

The opportunity under an AGOA extension is to keep the benefits of assembly but deliberately build the missing layers around it: upstream inputs, and deeper capability.

WHAT THE DATA SHOWS BEYOND PREFERENCES

Many of the largest apparel suppliers to the US grow without duty-free entry. They are not AGOA beneficiaries, and none are US FTA partners. Their shipments generally face normal US product duties, and in some cases additional 2025 tariff measures, yet exports still rose because buyers stayed anchored to their ecosystems: scale, speed, and compliance.

Supplier	US Apparel Imports (Jan-Oct 2025; USD bn)	YoY Change	Ecosystem factors
Vietnam	14.16 BN	+11.54%	Scale, industrial clustering, deep supplier base, speed-to-market, strong buyer integration and compliance systems
Bangladesh	7.07	+15.14%	A mature export ecosystem: large-scale factories, compliance infrastructure, tight specialisation, and aggressive productivity focus; growth persists even amid tariff pressure and policy uncertainty
Cambodia	4.04	+25.46%	Buyer confidence in delivery and capacity growth; competitive labour model plus expanding industrial platforms
India	4.39	+8.60%	Integrated capabilities in textiles, product development, and supply depth, allowing faster response and category breadth
Indonesia	3.98	+10.07%	Manufacturing depth and improving reliability; ability to compete on more than price
Pakistan	2.02	+12.28%	Strength in cotton-linked value chains and scale in key categories; resilience despite tariff headwinds

The pattern is clear: these suppliers kept growing despite tariffs because their ecosystems reduce buyer risk, delivering speed, reliability, and compliance at scale.

- **Input security and depth:** local or regionally anchored yarn and fabric ecosystems reduce lead times and buyer risk
- **Scale and clustering:** dense industrial zones make it cheaper to train labour, move inputs, and run audits
- **Compliance as infrastructure:** environmental and social compliance is treated as a system, not a tick-box
- **Finance and working capital**: exporters can fund raw materials and production without choking cashflow or taking punitive terms

Where a country's proposition is simply "duty-free", competitiveness is sitting outside the country. That is not a supply-chain advantage, it is a policy advantage, and it can change. Buyers do not anchor sourcing decisions to policy cycles. They anchor to ecosystems that reduce their operational risk: predictable delivery, consistent quality, and compliance that holds at scale.

WHAT AN "ECOSYSTEM AGENDA" LOOKS LIKE IN PRACTICE

If the goal is resilience beyond the preference window, the ecosystem agenda must be concrete, investable, and measurable. Five moves matter most:

1. Build upstream value-add deliberately, not rhetorically
AGOA's current structure has often made it rational to import fabric and still qualify while importing most upstream value. The extension window should be used to shift that balance by strengthening upstream capability where it changes lead times and unit economics, particularly in fabric processing and finishing, and in the inputs that routinely delay production cycles.

2. Treat compliance as export infrastructure
Buyers do not reward intent; they reward repeatable outcomes. The goal is to reduce compliance friction by building shared capability that upgrades many factories at once: credible testing pathways, practical environmental solutions, and the institutional capacity to keep performance consistent as order volumes rise.

3. Reduce lead time through logistics discipline
Speed in apparel is not only shipping time. It is the combined effect of input availability, approvals cycles, production planning and border clearance. Ecosystem strength shows up as predictability: fewer surprises, fewer stop-start cycles, and fewer delays that force buyers to over-buffer inventory.

4. Fix working capital as an industrial constraint
Apparel competitiveness depends on financing the production cycle. The ecosystem objective is to ensure exporters can fund inputs and production at terms that do not choke cashflow, particularly during scale-up, when orders grow faster than internal liquidity.

5. Use regional production networks to match how rules and buyers are evolving

Even where one country cannot viably build every upstream component, a regional network can. The logic is straightforward: yarn in one location, fabric in another, garmenting in a third, all moving under predictable rules and infrastructure. If preference rules tighten in future, regional input capacity becomes the difference between adaptation and collapse.

WHAT SUCCESS SHOULD LOOK LIKE BY THE NEXT AGOA EXPIRY

The AGOA extension should be judged on outcomes that remain valuable even when duty-free access disappears. Three simple tests:

- **Local and regional input share rises in export production** (yarn, fabric, finishing, trims), reducing imported-content dependence that the third-country fabric feature has implicitly encouraged.
- **Lead times fall and delivery reliability rises** in a way buyers can verify through repeat orders, not pilot programmes.
- **The sector's value captured locally increases**, reflected in higher complexity products, stronger margins, and upstream employment growth, not only more assembly lines.

The AGOA extension buys time, but it does not remove vulnerability. If the extended window simply sustains import-led assembly, the sector remains exposed to the next policy cycle and the next shock.

The strategic test is whether Sub-Saharan Africa uses this period to build ecosystems that buyers will rely on even when preferences narrow; deeper inputs, faster and more predictable delivery, scalable compliance, and finance that supports production cycles. That is how preference becomes a bridge into competitiveness, rather than a substitute for it.

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