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WHITE PAPER

THE AMERICAS TEXTILE AND APPAREL COMPLEX

Where it stands in mid-2026,
and what it could still become

JULY 2026

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A note on timing

This paper was written the last week of July 2026. That matters more than usual. On July 1 the United States declined to renew the USMCA in its current form. On July 23 the U.S. Trade Representative announced a new set of Section 301 tariffs covering 60 economies, and they took effect at 12:01 a.m. the following morning, the same minute the Section 122 global surcharge expired by operation of law. A promised textile mechanism tied to purchases of U.S. cotton and yarn has been announced but not written. Litigation is already filed.

So treat the policy sections here as a snapshot with a short shelf life. The structural analysis will hold up longer.

Executive Summary

The Western Hemisphere textile and apparel industry is in the strangest position it has occupied since the Multifiber Arrangement came down in 2005. On paper, everything is going its way. Duty-free access under USMCA and CAFTA-DR now sits inside a tariff wall that reaches every major Asian supplier. Chinese goods carry duties that would have been unthinkable four years ago. De minimis is dead. The policy architecture that Washington has been building since 2018, whether by design or by accident, points at one outcome: more production in the Americas.

And yet the region is not winning. U.S. textile shipments fell from $63.9 billion in 2024 to $60.9 billion in 2025. Employment dropped from 471,000 to 453,000. More than forty U.S. plants have closed in two and a half years. Mexico's share of U.S. apparel imports sits under 3 percent. CAFTA-DR volumes fell 8 percent in 2025 while Asian shipments climbed. American yarn and fabric are losing share inside Mexico to Chinese imports, from 48 percent of Mexico's textile purchases in 2018 down to 39.3 percent in early 2026, while China's share ran the other way, from 30.3 to 38.3 percent.

That gap between policy intent and commercial result is the central problem this paper addresses.

None of this is complicated, though it is uncomfortable. Tariffs raise the cost of the alternative. They do not create capacity. Building a spinning mill, a knitting operation, a dyehouse, or a finishing line takes three to five years and eight or nine figures of committed capital. Nobody commits that capital against a tariff schedule that has been rewritten four times in eighteen months by three different legal authorities, two of which have already been struck down in court. Uncertainty is the binding constraint in this business, and it is doing more damage right now than any tariff rate.

Five things define the current moment.

One. The legal foundation of U.S. tariff policy has been rebuilt twice in six months and is still contested. The Supreme Court voided the IEEPA tariffs in February. Section 122 filled the gap for 150 days and expired July 24. Section 301 forced-labor duties took over the same minute, at 10 percent for economies USTR credits with a forced-labor import ban and 12.5 percent for the rest. Importers filed suit the day they took effect. A separate Section 301 investigation into manufacturing overcapacity, covering 16 countries, is expected to land soon and would stack on top.

Two. USMCA-qualifying goods are exempt from the new Section 301 duties, and so are most CAFTA-DR textile lines. This is the single most important commercial fact in the hemisphere right now. Regional preference is worth 10 to 12.5 points of duty on top of MFN, on top of the existing preference margin. That is real money.

Three. The same agreement that delivers that advantage is now on an annual review clock through 2036. Washington said no to a straight sixteen-year extension. Mexico and Canada said yes. The agreement stays in force, rules of origin are unchanged, and USTR has signaled it wants interim arrangements by year-end with the harder questions pushed into 2027. Nobody underwrites a dyehouse on a one-year review cycle.

Four. Washington is now openly using apparel access as payment for U.S. fiber purchases. The forced-labor action includes tariff-rate quotas for Bangladesh, Cambodia, Indonesia, and Malaysia, sized against how much U.S. cotton and textile input each country buys. Whatever you think of the policy, understand what it is. It is a quota regime. Volume-based and allocated by government. Members of our team spent a good part of their careers on the American side of exactly that kind of table, and the machinery has not changed much.

Five. The domestic industry, the brands, and the retailers have stopped fighting each other. NCTO, AAFA, USFIA, and USINFI filed a joint proposal in July for a tariff credit program that would reward brands for buying U.S. textiles and hemisphere-made apparel. Those four organizations do not agree on much. They agree on this. Their estimate is $29 billion in annual U.S. textile exports to the region and 56,000 new domestic jobs.

The opportunity is real and it is time-limited. The tariff differential favoring the hemisphere is the widest it has been in thirty years. Buyers are actively looking. Capital is available. What is missing is a policy horizon long enough to justify an investment committee memo. If the region gets three to five years of predictable rules, the hemisphere could plausibly take back several points of U.S. import share and rebuild a fabric base. If it does not, the tariff wall will simply become a tax on American consumers, collected at the border, with production staying right where it is.

The choice sits in front of the industry and in front of Washington. This paper lays out the evidence and what to do about it.

1. How the hemisphere got here

A short walk backward first. Most of what the region looks like today was set by decisions made between 1994 and 2005.

NAFTA created the first real regional co-production model. U.S. yarn and fabric went south, Mexican labor cut and sewed, and the finished garment came back duty-free under a yarn-forward rule. It worked. Mexico became the largest single supplier of apparel to the United States by the late 1990s. American spinners ran hard. The Piedmont still had mills.

CAFTA-DR extended the model to Central America and the Dominican Republic in 2005 and 2006, using the same yarn-forward architecture. Guatemala, Honduras, El Salvador, and the DR built out knitting and cutting and sewing capacity on the strength of it. Cotton knits, basic bottoms, uniforms, and socks. Fast replenishment on American inputs, with lead times nobody in Asia could touch.

Then the quota system ended. On January 1, 2005, the last of the Multifiber Arrangement restrictions came off, and China did to global apparel sourcing about what everyone predicted it would do, only faster. Between 2005 and 2010, hemisphere share of the U.S. apparel market collapsed. Mexico went from first supplier to an also-ran. American spinning and weaving capacity followed the orders out the door. The mills that survived did so by moving into industrial and technical fabrics, or by going deep into a niche where speed mattered more than price.

For a decade after that, the regional story was maintenance. CAFTA-DR and Mexico both held their base, and neither grew much.

The 2018 China tariffs restarted the conversation. COVID accelerated it, because a fourteen-week ocean transit looks very different when the container costs $18,000 and arrives whenever it arrives. Nearshoring became the word everyone used. Investment announcements followed, some of them real.

But look at what happened next. Instead of moving to Mexico or Guatemala, most of the volume that left China moved to Vietnam, Bangladesh, India, Indonesia, and Cambodia. China's share of world clothing exports fell to 29.6 percent in 2024, its lowest since 2010, and almost none of that share landed in the Americas. The hemisphere got the press coverage. Asia got the orders.

Breaking that pattern is what the current policy regime is for. Understanding why it has not broken yet is the rest of this paper.

2. Where the policy stands as of July 31, 2026

2.1 The tariff foundation has been rebuilt twice this year

Walk the sequence and the paralysis makes sense.

In April 2025 the administration imposed country-specific "reciprocal" tariffs under the International Emergency Economic Powers Act. Bangladesh landed at 37 percent. Vietnam at 46. Cambodia at 49. Indonesia 32, Sri Lanka 44. Stack those on MFN rates that already averaged 14.5 percent on knit apparel and 12 percent on woven, and effective rates on Asian garments ran into the fifties and sixties. By December 2025 the average tariff on U.S. apparel imports under HS chapters 61 and 62 hit 35.1 percent, up from 14.7 percent in January of that year. No generation of American buyers had seen a rate like it.

On February 20, 2026, the Supreme Court ruled 6-3 in *Learning Resources, Inc. v. Trump* that IEEPA does not authorize tariffs. The entire structure came down. Duties collected under it became refundable, which created a receivable running into the billions for importers who had been paying since April 2025.

Washington moved within hours. Section 122 of the Trade Act of 1974 permits a temporary import surcharge of up to 15 percent to address balance-of-payments problems, capped at 150 days without an act of Congress. A flat 10 percent global surcharge took effect February 24. It applied nearly everywhere, with USMCA-qualifying goods exempt.

The Court of International Trade held the Section 122 surcharge unlawful on May 7. The Federal Circuit stayed that ruling on June 11, so collection continued. It did not matter much in the end, because the statutory 150-day clock ran out at 12:01 a.m. on July 24, 2026, and Congress did not extend it. No extension bill ever moved. The visible legislative energy ran the other direction, toward bills that would repeal Section 122 outright and require congressional approval for future tariff actions.

2.2 What replaced it, one minute later

USTR announced its Section 301 forced-labor determinations at about 5 p.m. on July 23 and put them into effect at 12:01 a.m. on July 24. The timing was deliberate. The administration wanted no gap and no window where a broker could time an entry into open water.

The investigations began March 12, 2026, covering 60 economies, and asked a narrow question: does this country prohibit and effectively enforce a ban on importing goods made with forced labor? USTR found all 60 wanting and ruled the failures actionable under Section 301(b). More than 1,600 written comments came in. Three days of hearings in July brought more than 100 witnesses.

What came out is two-tier. Ten percent for the 19 economies USTR credits with a prohibition in place, or a binding commitment to impose one. Twelve and a half percent for the remaining 41. Published country tables show 13 percent on most upper-tier lines, so verify your specific HTS treatment rather than working from the headline.

Tier assignments cut oddly across the hemisphere.

At 10 percent: Argentina, Canada, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Trinidad and Tobago, plus Bangladesh, Cambodia, India, Indonesia, Jordan, Malaysia, Pakistan, Sri Lanka, and the United Kingdom.

At the higher tier: China, Vietnam, Thailand, Turkey, Egypt, Colombia, Peru, Chile, Costa Rica, Dominican Republic, Nicaragua, and most everyone else. Brazil carries the higher rate plus a separate 25 percent Section 301 action, which effectively takes Brazil out of the finished-goods conversation.

Note the strangeness there. Honduras got moved down from 12.5 to 10 in the final action. Costa Rica, the Dominican Republic, and Nicaragua did not, though all three carry CAFTA-DR textile exemptions. Colombia and Peru, both FTA partners, sit in the upper tier with no textile carve-out mentioned. Call that what it is. Sixty separate bilateral judgments, published on the same day, with no hemisphere logic running through any of them.

2.3 The exemptions are where the money is

USTR built wide carve-outs into the final action, grouped as raw materials essential to U.S. manufacturing, products that would cause economy-wide disruption, goods not available domestically in sufficient quantity or at reasonable price, products where the tariff would not change behavior, and country-specific carve-outs meant to reward partners moving toward compliance.

Two of these carve-outs are worth more to the hemisphere than the entire rest of the action.

USMCA-qualifying goods are exempt. Not reduced. Exempt. A garment that meets USMCA rules of origin enters free of the Section 301 duty and free of MFN. A functionally identical garment from

Vietnam pays MFN plus 12.5 percent. On a cotton knit top with a 16.5 percent MFN rate, that is a spread near 29 points.

CAFTA-DR textile exemptions apply to Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua. Qualifying textile and apparel lines under CAFTA-DR rules of origin sit outside the Section 301 action. Same math, same magnitude.

If you are running sourcing for a brand and you have not repriced your entire hemisphere option set in the last week, you are behind.

2.4 The textile mechanism, or: quotas are back

One piece of the July 23 action will matter more than the rest over the next three years, and it drew the least attention.

USTR announced tariff-rate quotas allowing a defined volume of apparel and textile imports from Bangladesh, Cambodia, Indonesia, and Malaysia to enter at a reduced Section 301 rate. The quota volumes will be tied to each economy's purchases of U.S. cotton and U.S. textile inputs. USTR says the mechanism is not feasible immediately but will be operational no earlier than September 1, 2026.

Read that again. Access to the American apparel market, allocated by volume, by government, in exchange for buying American fiber.

The instinct behind this mechanism is old and familiar. Link market access to reciprocal purchase, then allocate by country and administer the whole thing by certificate. What is new is doing it in 2026, thirty years after the world agreed to phase this out, and doing it through a forced-labor statute rather than a textile agreement.

The practical questions are big and unanswered. Who administers the allocation? Is it first-come, first-served at the border, or licensed at origin? Does the U.S. cotton purchase have to be documented mill-to-bale, or is it a country-level aggregate? What happens to a Bangladeshi garment made with Brazilian cotton spun in India? Can quota be traded? Is there a carryforward?

Every one of those questions is worth tens of millions of dollars to somebody, and none of them has an answer yet.

NCTO opposes the mechanism outright. Its argument is straightforward: giving four Asian competitors reduced-rate access will not move U.S. yarn and fabric exports to Asia much, because Asian mills are supplied by heavily subsidized regional producers and will not switch on the strength of a quota incentive. Meanwhile the benefit comes directly out of the hides of U.S. manufacturers and the hemisphere partners who buy 70 percent of American textile and apparel exports. Kim Glas has been blunt about it. The right approach could double domestic capacity. The wrong one causes irreparable harm.

She has a point on the economics. Whether it lands depends on how the TRQ volumes get sized, and that fight runs through August.

2.5 USMCA is not renewed, and also has not gone anywhere

On July 1, 2026, the USMCA Free Trade Commission held the mandatory six-year joint review required by Article 34.7. Mexico and Canada each confirmed they wanted the sixteen-year extension. The United

States did not. Ambassador Greer's statement was four sentences long and said the U.S. did not agree to renew the agreement in its current form, and as a result the USMCA is not renewed.

That headline caused more confusion than it should have.

The agreement remains fully in force. Rules of origin are unchanged, preferential treatment continues, and nothing an importer does today changes.

What changed is the clock. Under Article 34.7.4, the parties now conduct a joint review every year until they either agree to extend or the agreement terminates on July 1, 2036. The sixteen-year extension is still available at any point if all three governments confirm it in writing.

Negotiations are running in parallel and have been since spring. A first U.S.-Mexico bilateral round closed in late May, a third round wrapped in Mexico City with Greer meeting President Sheinbaum, and a fourth is scheduled for Washington in September. Canada has largely been outside those talks. Greer told the Senate Finance Committee he hopes for interim arrangements with both partners by the end of 2026, with the harder items, automotive rules of origin above all, likely running into 2027. A USITC hearing on automotive rules is set for October 14.

Textiles are not the headline issue in those rounds. Autos, steel, aluminum, and energy security are. Mixed blessing. Being off the front page means the yarn-forward rule is unlikely to be traded away casually. It also means nobody in the room is fighting for it.

Commercially, the annual review structure is corrosive, and the damage is already visible. A one-year renewal cycle is shorter than the payback period on almost any textile asset. You cannot finance a spinning mill, a continuous dye range, or a wastewater treatment plant against a trade agreement that gets relitigated every twelve months. Capital does not care whether the agreement is likely to survive. Capital cares about the distribution of outcomes, and an annual review widens that distribution every year.

2.6 The rest of the preference architecture

CAFTA-DR remains the workhorse of the hemisphere, covering Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua. Two-way trade with the region exceeded $11 billion in 2024. Then 2025 happened: reciprocal tariffs on the region contributed to an 8 percent decline in U.S. textile and apparel imports from CAFTA-DR partners while Asian shipments rose. Framework agreements announced in late 2025 restored duty-free treatment on qualifying goods from Guatemala and El Salvador, and the July 2026 Section 301 action extended textile exemptions across the six.

The yarn-forward rule is the spine of the whole arrangement, and the regional industry knows it. CECATEC-RD and its members have said repeatedly that loosening it to permit third-country fabric would reverse the verticalization investment that has been building for a decade. They are right. The rule is what makes U.S. yarn worth buying.

Haiti's HOPE and HELP programs lapsed September 30, 2025, were retroactively restored in the appropriations bill signed in early 2026, and now expire December 31, 2026. Five months from now. Duties paid during the lapse are refundable. Haiti's apparel exports fell 17.1 percent in the first five months of 2025 and its share of U.S. apparel imports hit a record low of 0.8 percent. Between the security situation, the travel ban on Haitian nationals, and a preference program with a five-month runway, it is difficult to make a case for new investment there. The House passed a three-year extension in January that has yet to become law.

AGOA was extended on the same fifteen-month schedule and also expires December 31, 2026. Not a hemisphere program, but relevant, because if AGOA lapses permanently a large block of African apparel volume goes looking for a new home, and some of it would land in Asia rather than the Americas.

Colombia and Peru operate under bilateral trade promotion agreements from 2012 and 2009 respectively. Both are in the upper Section 301 tier with no textile carve-out named in the final action. Whether their FTA preference is sufficient to shelter them is a question their exporters are asking right now.

2.7 De minimis is gone, and it changed the math

The $800 de minimis exemption ended for China and Hong Kong on May 2, 2025, and for everywhere else on August 29, 2025. An executive order continued the suspension in February 2026. Before the change, Customs was clearing over four million de minimis packages a day, better than a billion shipments a year, three quarters of them out of China.

Ultra-fast-fashion platforms took a real hit, though not a fatal one. Prices on Shein and Temu rose somewhere in the 20 to 40 percent range. Both responded by building U.S. warehousing, importing in bulk, pre-clearing inventory, and pushing volume toward Europe. The EU is now closing its own €150 threshold with a per-parcel charge, and early data suggests those platforms are adapting there too.

For the hemisphere the effect is indirect and large. De minimis was a structural subsidy to a business model that competes on landed price at the individual-unit level. Removing it does not send those orders to Guatemala. It does compress the price gap between a direct-from-Asia parcel and a domestically warehoused garment, which improves the economics of holding inventory in North America, which improves the case for producing closer to that inventory.

2.8 Mexico built its own wall

Washington has paid almost no attention to this one. It may matter more to regional integration than anything USTR did in July.

Effective January 1, 2026, Mexico raised tariffs on 1,463 tariff lines from countries with which it has no free trade agreement, at rates from 5 to 50 percent. The sector concentration is striking: textiles account for 28 percent of the covered lines, 418 of them, and clothing another 21 percent, 308 lines. Steel is 18 percent. Everything else is small by comparison. This is, functionally, a textile measure with an industrial policy wrapper.

Mexico's stated goals were protecting some 350,000 jobs in sensitive sectors, promoting reindustrialization, generating about $3.76 billion in 2026 revenue, and demonstrating good faith to Washington ahead of the USMCA review. President Sheinbaum said the point was to recover a textile industry that has lost a great deal since the pandemic.

The law also tightened the IMMEX maquiladora program, which had been abused for years by operations importing Asian inputs under temporary-entry rules without respecting the program's parameters. There are over 5,800 active IMMEX programs. The changes mean that depending on the input-to-finished-good tariff line combination, and depending on duty treatment in the destination market, temporarily exempted duties may now come due.

For a U.S. brand running a Mexican assembly operation on Chinese fabric, the arithmetic just got worse in both directions. Higher landed cost in Mexico, tighter origin scrutiny on the way north. For a U.S.

yarn or fabric producer, the same measure is a gift, because USMCA-origin inputs are exempt from Mexico's new tariffs. The region has needed exactly that kind of alignment for years and rarely gotten it.

Whether it holds is another question. The measure is temporary in construction and politically contingent on the USMCA talks going reasonably well.

3. The numbers

Policy is the loud part. The data is quieter and less flattering.

3.1 The U.S. industry

American textile and apparel shipments totaled $60.9 billion in 2025, down from $63.9 billion the prior year. Employment across the supply chain came in at 453,122, off from 471,000. Fiber, textile, and apparel exports were $26.9 billion, and about 70 percent of that went to other countries in the Americas.

More than forty U.S. plants have closed in two and a half years. Chuck Hall said it plainly from the podium at NCTO's annual meeting in the spring: those losses ripple through families and communities. He is right, and the geography is not random. The closures cluster in the Carolinas, Georgia, Alabama, and Virginia, in towns where the mill was the employer.

Set against that, the industry invested $34.3 billion in plants and equipment between 2017 and 2024. It remains the world's second largest exporter of textile products and it still leads global R&D in performance and technical materials. It also supplies better than 8,000 distinct items to the Department of Defense under the Berry Amendment.

So the industry has a functioning high end and a hollowed-out middle, losing the commodity and mid-market volume that used to carry overhead. Hollowing is a better word for it than dying.

Downstream, the picture inverts. Brands and retailers selling apparel generated $440 billion in U.S. sales in 2025 and support over 2.5 million jobs. Taken together, upstream and downstream, the complex contributes roughly $500 billion to the U.S. economy and employs more than three million people. Any policy that helps the 453,000 at the expense of the 2.5 million is going to run into a wall, which is why the joint NCTO-AAFA-USFIA-USINFI proposal is such a big deal.

3.2 What the import data shows

U.S. apparel imports have been shrinking through the first half of 2026, reflecting consumer hesitation on discretionary spending against stubborn inflation. Overall CPI ran 3.5 to 3.8 percent year over year through the spring. Apparel CPI has been flat month to month, sitting near 138 in April against a 1982-84 base of 100, and up about 14 percent over five years.

Input costs, freight, and factory labor have all moved a great deal more than 14 percent over that span. Apparel retail prices have not. The gap between what it costs to make a garment and what a consumer will pay for it has been closing on the wrong side of the ledger for five years running. Call it a margin story. It explains most of what you hear from brands about tariff absorption. There is no absorption left.

Unit values tell the same story from a different angle. Average import price rose from $3.08 per square meter equivalent in 2024 to $3.14 in 2025, a 2 percent increase. Of 106 apparel categories, 55 saw price increases between 2024 and 2025, and 22 rose more than 10 percent. Among the ten largest categories by value, eight rose. The pressure landed in core, high-volume products rather than niche items, which means it reached the shelf.

Through the first five months of 2026, Indonesia and Cambodia gained ground. Vietnam held. China's unit prices fell faster than anyone's, the signature of a supplier competing on price to hold share. Mexico was the only major supplier to post a notable increase in average unit price, reflecting higher-value mix, shorter lead times, and the specific things nearshoring is actually good at.

3.3 The hemisphere's share is the uncomfortable number

USMCA countries accounted for 3.4 percent of U.S. apparel imports by value in the first four months of 2026, with Mexico at 2.8 percent. Up from 3.2 percent a year earlier. An improvement, technically.

Put it next to the other direction of the same trade. USMCA members took 48.4 percent of U.S. yarn and fabric exports over the same period, with 33.9 percent going to Mexico alone. That share has held stable for decades, through NAFTA and through USMCA.

And 98 percent of Mexico's apparel exports go to the United States.

Read those three figures together and the co-production relationship comes into focus. It is deep and mutual. It is also small. Mexico is almost entirely dependent on the U.S. market. The U.S. textile industry is heavily dependent on Mexico as an outlet. And the whole thing accounts for under 3 percent of what Americans wear.

Worse, the U.S. position inside Mexico is eroding. In the first quarter of 2026, the United States supplied 39.3 percent of Mexico's textile imports, down from 48 percent in 2018. China supplied 38.3 percent, up from 30.3 percent. Those two lines are about to cross. If they do, the fundamental logic of the North American co-production chain, U.S. fiber and yarn feeding Mexican assembly, weakens badly, and the argument for yarn-forward preference weakens with it.

Mexico's January 2026 tariff action is aimed squarely at that crossing point. It should help. It is late.

3.4 CAFTA-DR

Central America and the Dominican Republic have held together better than Mexico, largely because CAFTA-DR verticalization went further. Guatemala reports that 54.11 percent of its apparel exports now include advanced finishing processes, and the industry there is investing in spinning, woven fabrics, and technical textiles rather than staying in basic cut-and-sew.

Right direction. The constraint has been policy volatility. Buyers hesitate to commit long-term orders when tariff treatment is unclear, and 2025 gave them every reason to hesitate. First a 10 percent reciprocal tariff landed on CAFTA-DR countries. Then framework agreements restored duty-free treatment for some partners and not others. Then the Section 301 action arrived with textile exemptions across all six and different headline rates for each.

Result: an 8 percent decline in U.S. textile and apparel imports from the region in 2025 while Asian suppliers grew. That is what uncertainty costs, measured in a single year.

3.5 What buyers say they are doing

Survey work consistently shows nearly 80 percent of U.S. fashion companies planning to reduce China sourcing further through 2026, with the largest firms most eager to de-risk. Interest in Western Hemisphere sourcing shows up in every survey and has for six years.

Interest is not orders. For the second consecutive year three non-Asian countries made the top-ten most-utilized sourcing list. Progress. But the expansion plans still point mostly at India, where nearly 60 percent of respondents plan to grow, more than any other country.

Capacity and category explain it. If you need 400,000 units of a woven bottom with a specific fabric construction, and the only mills that make that fabric at that width and that price are in South Asia, the tariff differential does not solve your problem. It just makes your product more expensive. This is the fabric gap, and it is the single most binding physical constraint on hemisphere growth. More on it in Section 6.

4. Country by country

4.1 United States

Domestically, the real position is better than the employment number suggests and worse than the export number suggests.

Where it is strong: industrial and technical fabrics, military and government procurement under Berry, narrow fabrics, specialty yarns, nonwovens, home textiles at the premium end, and open-end and ring spinning serving CAFTA-DR and Mexico. Where it is weak or absent: woven fabric at scale, synthetic filament, most man-made fiber production, garment dyeing and finishing capacity, and virtually all commodity cut-and-sew.

NCTO's 2026 agenda is coherent and modest. Preserve duty-free treatment under USMCA and CAFTA-DR. Get tariff exemptions for manufacturing inputs and machinery not made domestically, which the July 301 action declined to provide and which remains a live grievance. Strengthen customs enforcement against fraud and transshipment. Defend and expand the Berry Amendment. Grow the hemisphere co-production chain.

Anyone building in the U.S. right now should be watching the input and machinery exemption fight. If you are installing a new spinning line, the equipment comes from Europe, Japan, or increasingly China. Taxing that machinery to encourage domestic production is a policy that works against itself. NCTO has been pushing this since the Section 122 period without success.

4.2 Mexico

Mexico has the assets and has been losing the game.

What it has: proximity measured in days rather than weeks, an installed base of denim, workwear, and uniforms, real vertical capacity in a few clusters, USMCA duty-free access with a Section 301 exemption, a functioning IMMEX regime, and a workforce with three decades of experience. Puebla, Tlaxcala, Aguascalientes, Coahuila, and Yucatán all have something to work with.

What it lacks: fabric. Mexican garment producers buy an increasing share of their inputs from China. Stopping that is what the January 2026 tariff action was built for. Whether the industry can substitute toward U.S. or Mexican fabric at acceptable cost and quality is the open question. If it cannot, the tariff simply raises costs and Mexican assembly loses competitiveness rather than gaining it.

Mexico also carries a security and reliability discount that shows up in buyer conversations and rarely in official statistics. Cargo theft, extortion in certain corridors, and utility reliability all affect the risk premium a sourcing executive assigns to a Mexican program.

Everything for Mexico over the next eighteen months runs through the USMCA annual review. The rules probably will not change much in 2026. The review calendar itself is what suppresses investment, whatever the outcome. Every year the agreement gets relitigated is a year in which the Mexican textile investment case has to be re-argued to a committee that has better options.

4.3 Central America and the Dominican Republic

Best near-term opportunity in the hemisphere sits here.

Guatemala, Honduras, El Salvador, and the DR have the deepest CAFTA-DR-driven vertical integration in the region. Their compliance records are the strongest, and they have been running high-volume replenishment for American brands for twenty years. Costa Rica plays a smaller and more specialized role. Nicaragua carries political and labor-rights baggage, including a tiered U.S. tariff action running through 2028 on goods outside CAFTA-DR coverage.

Honduras and El Salvador expanded textile park capacity in 2025. Guatemala's move up-market into advanced finishing, spinning, and technical textiles is real and documented. Protela-Colombia's vertically integrated fabric investment in Guatemala, and similar projects, point at the kind of regional fabric base the hemisphere needs.

July's 301 action helps this group more than any other. Textile exemptions across all six countries, plus the 10 percent tier for El Salvador, Guatemala, and Honduras, plus the existing CAFTA-DR margin, produce a landed-cost advantage over Vietnam or China that this region has never had before.

Same constraint here as everywhere: fabric supply and policy horizon. CAFTA-DR does not have a sunset clause and is not in a formal renegotiation, which makes it more stable than USMCA at the moment. Odd thing to write, and worth saying out loud to any buyer weighing the two.

4.4 The Caribbean

Haiti is the region's open wound. HOPE and HELP run out December 31, 2026, apparel exports have collapsed, and the security situation makes new investment nearly unthinkable. The industry associations have asked repeatedly for a ten-year renewal. They have gotten fifteen months. Absent a long-term extension in the fall, expect the remaining programs to wind down, and expect the jobs to be gone for a generation.

The rest of the Caribbean Basin operates under CBTPA, which runs to September 30, 2030 and is the longest-dated preference program in the hemisphere. It is underused. There is a real conversation to be had about whether CBTPA plus targeted infrastructure investment could support a second-tier assembly base in the eastern Caribbean.

4.5 Colombia and Peru

Both punch above their weight in specific categories and both are exposed right now.

Colombia's strength is shapewear, swimwear, intimates, and casualwear, with genuine design capability and vertically integrated suppliers in Medellín and Bogotá. Exports ran about $238 million in 2025 with the U.S. taking about 41 percent. American buyers pulled back in 2025, down 23 percent in textiles and 5.1 percent in apparel, while Venezuela and Peru picked up some of the slack. Knit and crochet articles grew 22.4 percent, which suggests the higher-value end is holding.

Peru's calling card is Pima cotton and premium knits, and it has an unusual structure. Domestic cotton production fell sharply after the 1990s, so the industry sources U.S. cotton under the trade promotion agreement and exports finished goods. The co-production model Washington says it wants has been running quietly down there for fifteen years, and nobody ever called it nearshoring.

Both countries sit in the upper Section 301 tier without named textile carve-outs. Both have FTAs. Whether the FTA preference shelters them from the new duties is a technical question their exporters and importers need answered in writing, not by inference. If it does not, two of the hemisphere's best higher-value producers just took a 12.5 point cost increase while Guatemala got an exemption.

That would be an unforced error, and it is fixable.

4.6 Brazil

Brazil is two different stories that do not connect.

As a fiber supplier, Brazil is now the most important country in the hemisphere and arguably in the world. Section 5 covers this.

As an apparel supplier to the United States, Brazil is effectively out. The 12.5 percent Section 301 rate plus a separate 25 percent Brazil-specific Section 301 action puts finished Brazilian goods well outside competitive range. Brazil's textile and apparel industry is large, sophisticated, and aimed at its own market, serving a market of 215 million people. It has never been an export platform for the U.S. market and current policy guarantees it will not become one.

Worth watching: whether Brazilian fiber and Brazilian capital start showing up in Central American and Mexican production. There is no structural reason they could not, and Brazilian agribusiness has capital to deploy.

4.7 Canada

Canada's role is small in volume and specific in nature: technical textiles, industrial fabrics, performance outerwear, and a design and brand presence that outpunches its manufacturing base. Canadian goods sit in the 10 percent Section 301 tier with the USMCA exemption applying to qualifying product.

Canada confirmed it wants the USMCA extension. It has stayed outside the bilateral rounds, a diplomatic problem more than a textile one, though it means Canadian textile interests have thin representation in whatever emerges.

5. Fiber: the part nobody talks about until it breaks

Every conversation about hemisphere sourcing eventually runs into fiber. Not fabric, not garments. Fiber. And the hemisphere's fiber position has changed more in five years than in the previous fifty.

5.1 Brazil took the cotton crown and is not giving it back

Brazil shipped 3.219 million tonnes of cotton between August 2025 and June 2026, up 19 percent on the prior season. The United States is second at an estimated 2.656 million tonnes for 2025/26. Australia is a distant third at 1.241 million.

This is not a cyclical blip. Brazilian yields have averaged 1.8 times U.S. yields over recent years. Brazilian production costs per acre run slightly below U.S. costs, and with yields that much higher, cost per pound is not close. The tropical climate means higher spend on fungicides and insecticides, and land, labor, and machinery costs more than offset it. Brazilian growers have been profitable through the entire price range of the last several seasons, which is why acreage keeps expanding in Mato Grosso and the Cerrado.

Meanwhile Brazilian agribusiness overall is about to pass the United States as the world's largest agricultural exporter. First-half 2026 Brazilian agricultural exports hit a record $87 billion, up 6 percent, leaving a gap of $2 billion against a U.S. figure that was $56 billion ahead in 2021. Containerized cotton exports are up 24.3 percent year to date.

Some of that is a consequence of U.S. trade policy. China cut American agricultural purchases sharply after 2018 and Brazil filled the space. Most of it is not. Brazil built this over four decades through land, climate, double-cropping, and sustained investment in agronomy and logistics.

5.2 What that means for the American grower

The American Farm Bureau Federation estimates that U.S. producers could face 2027 losses of $406 per acre on cotton. That number should stop anyone reading it.

Prices have actually been decent lately. Spot quotations for base-quality cotton averaged 73.97 cents per pound in mid-July 2026, up from 64.50 cents a year earlier. December ICE futures ran from 75 to 82 cents over the month. The A Index rose to around 90 cents. USDA's 2026/27 farm price forecast sits at 73 cents.

Price is holding up fine. The problem is cost structure against a competitor running double the yield, compounded by the loss of the export destinations that used to absorb American fiber.

Look at who buys cotton now. Vietnam is the world's largest importer at 1.698 million tonnes. Bangladesh is second at 1.611 million. China is third at 1.524 million. Every one of those is a country the United States is currently taxing at 10 to 13 percent on finished goods, and two of them are being offered apparel quota in exchange for buying American fiber.

Strip the forced-labor framing off the textile mechanism and that is the logic underneath. It is a fiber export program. Washington is trying to buy back the cotton demand that trade policy pushed away, using apparel market access as the currency.

Whether it works depends on price. Subsidized Asian yarn and fabric is not going to disappear because a TRQ certificate is available. NCTO's objection is fundamentally that Asian mills will take the quota and keep buying Brazilian and Indian cotton, and the U.S. will have given away apparel access for nothing. Serious argument. The answer sits in design details nobody has published yet.

5.3 The man-made fiber problem is worse and gets less attention

Roughly two-thirds of global fiber consumption is now synthetic, mostly polyester. The Western Hemisphere produces very little of it.

Polyester staple, filament, texturized yarn, nylon, spandex, and the specialty synthetics that go into performance apparel are overwhelmingly made in China, with real capacity in India, Taiwan, South Korea, and Southeast Asia. The United States has some capacity. Mexico and Brazil have some. It is nowhere near enough to supply a regional apparel industry at scale.

This decides where the hemisphere can compete. Cotton knits, denim, and workwear are winnable, because the fiber and yarn base exists regionally. Performance activewear, technical outerwear, swimwear at scale, and most synthetic wovens are not winnable on current capacity, no matter what the tariff differential is.

Any serious hemisphere strategy has to include man-made fiber. One option is large greenfield polymer and fiber investment somewhere in the Americas. That is a multi-billion-dollar proposition with a long payback and a poor feedstock position. The other is accepting Asian synthetic inputs, converting them regionally, and writing rules of origin that permit it.

Those are the two options. The industry has been avoiding the choice for fifteen years.

5.4 Recycled and alternative fiber

Recycled polyester from bottle feedstock is a partial answer and the hemisphere has an advantage in collection infrastructure. Textile-to-textile recycling is technically real and commercially immature. Regional collection, sorting, and processing capacity is thin. The regulatory push in Europe on recycled content and extended producer responsibility will eventually reach North American brands through their global compliance programs, and when it does, whoever has regional recycled fiber capacity will have a structural advantage.

This thesis matures on a five-to-ten-year clock. It belongs in a strategic plan, and nobody needs to budget for it in 2027.

6. Challenges

Seven things stand between the hemisphere and the opportunity the tariff structure just handed it. Listed in rough order of how much they hurt.

6.1 Policy volatility is the binding constraint

We keep returning to this because everything else is downstream of it.

Since January 2025 the legal basis for U.S. tariffs on apparel has been IEEPA, then nothing, then Section 122, then nothing, then Section 301. Two of those authorities were struck down in court. The third is in litigation as of the day it took effect. A separate Section 301 action on manufacturing overcapacity covering 16 countries is pending and will stack. USMCA is on annual review. HOPE, HELP, and AGOA expire in five months. The textile TRQ mechanism has been announced but not designed.

A dyehouse costs $30 to $80 million and takes three years to permit, build, and commission. A modern ring spinning plant runs $40 million and up. Payback assumptions run seven to twelve years. You cannot build that against this.

Economists call this the option value of waiting. The rest of us call it nobody is signing anything. Facilities that would otherwise expand stay in limbo. Announced projects slip. The capital that would have gone into hemisphere fabric capacity sits in cash or goes somewhere with a stable rulebook.

Every other challenge in this section could be solved with money. This one destroys the willingness to spend it.

6.2 The fabric gap

The hemisphere can cut and sew. It cannot supply itself with fabric.

Central America's knit fabric base is decent and improving. Its woven base is thin. Mexico's fabric base has been shrinking and is losing share to Chinese imports inside its own market. The United States has spinning and some specialty weaving and almost no volume commodity fabric capacity. Nobody in the hemisphere makes synthetic filament at scale.

Yarn-forward rules of origin, which are what make preference programs valuable to U.S. mills, are simultaneously what limits regional growth. If the fabric does not exist regionally, the rule blocks the order rather than redirecting it. Brands facing that wall do not build a mill. They source from Asia and pay the duty.

This is the central tension in hemisphere trade policy and it has no clean answer. Loosen the rule and U.S. yarn loses its guaranteed outlet. Keep the rule and regional apparel growth stays capped at whatever the regional fabric base can supply.

Building the fabric base is the only real fix, which brings us back to 6.1.

6.3 Labor cost, labor supply, and labor politics

Hemisphere labor costs run well above Bangladesh, Cambodia, or Ethiopia, and comparable to or above Vietnam in the more developed clusters. That gap is manageable when you count total landed cost including freight, duty, inventory carrying, and markdown risk. It is not manageable on FOB alone, and a lot of sourcing decisions are still made on FOB alone.

Supply is the newer problem. In parts of Central America and Mexico, apparel manufacturers compete for workers with services, construction, and remittance-supported non-participation. Turnover in some clusters runs high enough to erode the training investment. Automation helps in cutting, spreading, and material handling. Sewing stays manual for most constructions.

Labor politics adds a third layer. The Section 301 framing turns labor compliance into a tariff variable. It used to be a reputational one. USMCA's rapid response mechanism has teeth. Nicaragua's tariff treatment is explicitly tied to labor and human rights findings. Any producer in the region needs a labor compliance program that would survive an unfriendly audit, because an unfriendly audit is now a plausible trade action.

6.4 Energy, water, and infrastructure

Textile wet processing is energy intensive and water intensive, and both are constrained across much of the region.

Electricity costs in Central America are among the highest in the Americas. Grid reliability varies. Water availability for dyeing and finishing is a real constraint in parts of Guatemala and central Mexico, and wastewater treatment obligations are tightening in every jurisdiction. Effluent standards that used to be nominally enforced are now enforced, partly because brands demand it.

None of this is unsolvable. It is capital, and it is capital that goes into the ground before a single yard of fabric ships. It also means the site selection question is now as much about utilities as about labor rate. Twenty-five years ago nobody sited a plant that way.

6.5 Compliance and enforcement burden

Compliance stack facing a hemisphere producer today: rules-of-origin documentation, forced-labor due diligence under UFLPA and now under the Section 301 framing, labor rights audits, environmental permitting, chemical management, product safety, and increasingly traceability down to the fiber level.

That burden falls hardest on mid-sized producers, and most of the region is mid-sized. A large group with a compliance department absorbs it. A family-owned operation running three sewing lines does not, and gets squeezed out or absorbed.

There is a countervailing benefit. Enforcement against transshipment and origin fraud, if it happens, protects legitimate hemisphere producers more than it protects anyone else. NCTO has been pushing CBP for greater transparency and regular publication of textile enforcement statistics for this reason. Enforcement without publication is not credible to the people making sourcing decisions.

6.6 Demand

You can build the best regional supply chain in the world and it does not matter if nobody buys the clothes.

U.S. apparel imports have been shrinking through 2026. Consumer spending on discretionary goods is soft against sticky inflation and pressure on lower-income households. Apparel CPI has risen 14 percent in five years while input costs have risen much more, which means the industry has been eating the difference. Retail inventory discipline is tighter than it was.

Weak demand cuts both ways for the hemisphere. It makes buyers more price-sensitive, which favors Asia on FOB. It also makes them more inventory-sensitive, which favors short lead times and replenishment, the hemisphere's real competitive advantage. Which effect dominates depends on the category and the buyer's sophistication.

6.7 Subsidized competition

Asian producers benefit from input subsidies, energy subsidies, currency management, and industrial policy support that hemisphere producers do not receive. Kim Glas has described price differentials driven by Asian subsidies as being as wide as they have ever been despite the tariffs.

That last clause matters. If a 12.5 percent tariff does not close a gap created by subsidy, then the tariff is a revenue measure rather than a competitiveness measure. The pending Section 301 investigation into manufacturing overcapacity across 16 countries is aimed at this, and if it produces meaningful action it would matter more to hemisphere competitiveness than the forced-labor tariffs do.

7. Opportunities

The other side of the ledger is better than the industry generally admits. The hemisphere has more going for it right now than at any point since 2004, and some of these openings will close.

7.1 The tariff differential is the widest it has ever been

Take a mid-weight cotton knit top. MFN duty runs about 16.5 percent. From Vietnam it now carries an additional 12.5 to 13 percent under Section 301. From Guatemala under CAFTA-DR or from Mexico under USMCA, qualifying goods enter free of both.

Call it a spread approaching 30 points. Freight from Ho Chi Minh City to Los Angeles runs 18 to 22 days on the water plus inland. From Guatemala City to Miami is days. From Torreón to Dallas is a truck.

Any brand that has not run a full landed-cost comparison in the last month, including duty, freight, inventory carrying cost, markdown risk from long lead times, and working capital tied up in transit, is leaving money on the table. The 2019 version of that analysis usually said Asia. The 2026 version often does not.

Do the math before the rules change again.

7.2 The joint industry proposal is the single best policy idea on the table

In July, NCTO, AAFA, USFIA, and USINFI filed a joint submission to USTR proposing a textile and apparel trade incentive program. These four organizations have fought each other for twenty-five years. This is the first time they have jointly backed a single trade initiative, and that alone should tell you something about the moment.

The mechanism: brands and retailers earn tariff credits when they purchase U.S.-made textiles and qualifying apparel from Western Hemisphere FTA partners. Those credits offset Section 301 duties on imports from eligible countries.

The claimed effects: U.S. textile exports to the hemisphere doubling to $29 billion annually, more than 56,000 new U.S. jobs, billions in domestic investment, and downstream benefit to cotton growers.

Its elegance is in the incentive structure. Nobody gets ordered to reshore. A brand gets paid to buy regionally, in a currency it values, meaning duty relief on the Asian volume it still needs. U.S. mills get a demand signal they can finance against, and hemisphere assemblers get a reason to specify American fabric. Four constituencies that have never lined up on anything are lined up on this one.

It is also, in a sense, the mirror image of the TRQ mechanism USTR announced. The TRQ pays Asian countries in market access for buying U.S. fiber. The credit program pays American brands in duty relief for buying U.S. fiber and hemisphere assembly. One sends the benefit to Dhaka. The other sends it to San Pedro Sula and Gaffney.

Whether USTR adopts it is unknown. Anyone with a stake in the hemisphere should be pushing for it.

7.3 The TRQ mechanism is an opportunity if you are quick

Set aside whether the textile TRQs are good policy. If they are implemented on or after September 1, they create a specific, tradeable, time-limited commercial position.

Bangladesh, Cambodia, Indonesia, and Malaysia will have quota volume allocated against U.S. cotton and textile input purchases. Somebody has to originate those purchases, document them, and match them to allocation. Brokering and financing that flow is a business in itself, and none of the infrastructure for it exists today.

U.S. cotton merchants, yarn producers, and trading houses with Asian relationships have an obvious role. So do the certification and traceability providers. The first movers who understand how allocation will work will capture disproportionate value, exactly as happened with quota trading before 2005.

Short window, unsettled design. Anyone with standing at USTR should be commenting now, not in October.

7.4 Verticalization in Central America

Guatemala's progress into spinning, woven fabric, technical textiles, and advanced finishing is the template. Fifty-four percent of its apparel exports now include advanced finishing. Honduras and El Salvador expanded park capacity in 2025. Protela-Colombia's integrated fabric project in Guatemala is the kind of investment that changes what the region can quote.

The economics work when a producer can (a) supply its own fabric, (b) meet yarn-forward origin, and (c) sell speed rather than price. Every one of those margins improves as the region verticalizes.

What is needed is more of it, specifically in woven fabric and in dyeing and finishing capacity. Those are the two places the region says no to business today.

7.5 Speed, replenishment, and the inventory argument

Time is the hemisphere's structural advantage. Nobody in the region is going to win on cost.

A replenishment program that can restock in three weeks instead of fourteen changes the entire working capital profile of a business. Less inventory. Fewer markdowns. Higher in-stock rates. Better sell-through on what actually sells rather than what a planner guessed six months ago.

Brands that have built genuine near-market replenishment programs consistently report that the FOB premium is recovered several times over in reduced markdown. The problem is that this benefit shows up in merchandising and finance, and the sourcing decision gets made on FOB by a different department with a different scorecard.

Fixing that internal misalignment is the highest-return, lowest-capital move available to most brands right now. It costs nothing but a change in how the decision gets made.

7.6 Technical textiles, defense, and government procurement

The Berry Amendment requires domestic content in most military textile purchases and supports a supply base that produces over 8,000 items. NCTO's 2026 agenda includes expanding Berry and broadening American-made procurement more generally. The FY2026 NDAA carried provisions supporting the domestic uniform and equipment supply chain.

Defense and government demand will never carry the industry. It will carry specific plants through a cycle, and it is the most predictable demand in the sector, which makes it financeable. For a U.S. producer trying to justify capital during a period of tariff chaos, a Berry-qualified contract is worth more than its revenue.

Technical and industrial textiles more broadly, meaning filtration, geotextiles, medical, automotive, composites, and protective, are where the American industry's growth has been. That should be the first place any U.S. investor looks.

7.7 Enforcement as an opportunity

If CBP enforces against transshipment, undervaluation, and origin fraud, hemisphere producers benefit more than anyone. Their cost structure is legitimate. A good deal of their competition's is not.

De minimis closure was the biggest enforcement win in a decade and it is already showing up in the economics of holding inventory in North America. Continued pressure on origin fraud, combined with published enforcement statistics so the market can see it happening, would be worth more to regional producers than another five points of tariff.

7.8 Brazilian fiber, hemisphere conversion

Nobody in Washington will like this idea. It makes commercial sense anyway.

Brazil is the world's largest cotton exporter, in the same hemisphere, with growing capital and a logistics network aimed at Asia. Central America and Mexico need fiber and yarn. U.S. rules of origin require U.S. or regional yarn for preference.

There is a version of hemisphere strategy that treats Brazil as a fiber partner rather than a competitor, builds spinning capacity in Central America or Mexico against Brazilian and American fiber, and negotiates origin rules that accommodate it. It would be a hard sell in Washington. It would also address the fiber cost problem that makes regional yarn uncompetitive.

Worth thinking about, even if it stays theoretical for now.

7.9 The IEEPA refunds

Practical and immediate. Importers who paid IEEPA reciprocal duties between April 2025 and February 2026 are owed refunds on that layer. CBP has stood up a refund tool. For a mid-sized apparel importer running Asian volume through that period, the receivable can run into seven or eight figures.

That is capital. Some of it should be deployed into hemisphere qualification work, sample development, and supplier onboarding, the kind of spend that gets deferred first in a tight year.

8. Three scenarios to 2030

Forecasting this industry has humbled better analysts than us. What follows is a set of plausible paths with rough probabilities, offered as a planning tool rather than a prediction.

Scenario A: Consolidation and stability (40 percent)

USMCA gets extended or converted into a stable bilateral framework by late 2027. Section 301 tariffs survive litigation in some form and settle into a durable structure. HOPE, HELP, and AGOA get multi-year extensions. Some version of the tariff credit program is adopted, possibly narrower than proposed. The TRQ mechanism is implemented and turns out to be modest in scale.

Under this path, the hemisphere gains share slowly and steadily. U.S. apparel import share from USMCA and CAFTA-DR combined moves from 12 percent today toward 16 to 18 percent by 2030. U.S. textile exports to the region grow hard, though probably not to the $29 billion the industry groups project. Two to four serious fabric investments land in Central America. Mexico stabilizes and modernizes rather than growing dramatically. Domestic U.S. employment flattens near 450,000 and stops declining.

Notice that the good case is no boom. It is a floor getting established, which after twenty years of decline would count as a win.

Scenario B: Continued churn (40 percent)

The Section 301 tariffs get struck down or narrowed in court. A replacement authority appears. USMCA annual reviews continue without resolution into 2028 and 2029. Preference programs lapse and get restored retroactively, repeatedly. The tariff credit program is not adopted. The TRQ mechanism becomes a bilateral bargaining chip that shifts every year.

Under this path, nothing much changes structurally. Buyers absorb duty and pass what they can to consumers. Asian share holds. Hemisphere share drifts sideways. U.S. plant closures continue at the current pace, meaning another fifty to eighty facilities by 2030 and employment drifting toward 400,000. Investment goes into the highest-margin niches and nowhere else.

This is the path of least resistance and it is the one the current institutional setup produces by default.

Scenario C: Structural break (20 percent)

Two versions, one good and one bad.

The good version: a genuine hemisphere framework emerges, whether as an expanded USMCA, a CAFTA-DR-plus, or a new instrument. Long-dated preference, adopted tariff credits, coordinated fabric investment incentives, and enforcement with teeth. Under that, hemisphere share could move above 25 percent of U.S. apparel imports by 2030 and the U.S. industry could add capacity for the first time in thirty years. This requires a level of sustained bipartisan policy attention the sector has not received since the 1990s.

The bad version: USMCA collapses or is allowed to lapse. Preference programs expire without renewal. Tariff authority ends up so contested that the entire structure comes down and applied rates revert toward MFN. Under that, the hemisphere loses its differential entirely, Asian sourcing consolidates further, Mexican and Central American assembly contracts sharply, and the U.S. industry loses its principal export market. That outcome would be worse than the status quo of 2015.

Both versions are live. The good one requires action, and the bad one requires nothing at all.

9. What companies should do

For brands and retailers

Reprice the hemisphere this quarter. The Section 301 exemptions for USMCA and CAFTA-DR goods changed the arithmetic on July 24. Run full landed cost, not FOB. Include duty, freight, transit-time working capital, markdown risk, and the option value of shorter lead times. Do it by category, because the answer differs wildly between a cotton basic and a technical synthetic.

Move the sourcing decision out of a single department. If FOB alone drives the decision, the hemisphere loses even when it should win. Build a landed-cost-plus-inventory model that merchandising, planning, and finance all sign off on.

Split your book deliberately. A reasonable structure for many brands is Asia for long-lead-time, high-volume, price-driven programs, the hemisphere for replenishment, seasonal chase, and anything where markdown risk is material. Chasing a single lowest-cost origin is how you end up with a supply chain that breaks.

Get written guidance on Colombia and Peru. If you source there, find out in writing whether FTA preference shelters you from the new Section 301 duties. Do not infer it.

Claim your IEEPA refunds and redeploy some of the cash into hemisphere qualification. Sample development, mill audits, and supplier onboarding are the spend that gets cut first and the spend that determines whether you can move volume when you need to.

Build a labor compliance program that survives an unfriendly audit. Compliance sits on the customs side of the house now.

For U.S. textile manufacturers

Push hard on the input and machinery exemption. Every month that new equipment carries duty is a month of delayed capacity.

Sell into the credit program before it exists. If the tariff credit proposal is adopted, demand for U.S. fabric will move fast. Producers who have already qualified with hemisphere assemblers and with brand technical teams will capture it. Producers who wait will not.

Treat Berry and government business as a financing tool. Predictable demand is what makes a capital committee say yes during a period like this.

Look hard at Guatemala, Honduras, and the DR for joint ventures. Regional fabric capacity is the constraint. U.S. technical capability plus regional cost structure plus CAFTA-DR origin is a workable structure and there are partners actively looking.

For hemisphere producers

Verticalize toward fabric, dyeing, and finishing. Those are the jobs you have to say no to today. They are also where the origin rules make the margin.

Sell speed, not price. You will lose the FOB comparison. You should be having a different conversation entirely, about inventory turns, in-stock rates, and markdown avoidance.

Get your compliance documentation ahead of the requirement. Traceability to fiber, labor audit readiness, environmental permits, chemical management. It is a cost today and a moat tomorrow.

Watch the TRQ design. If Bangladesh, Cambodia, Indonesia, and Malaysia get real reduced-rate volume, your competitive position changes. Comment now.

For investors

Most attractive positions in this sector right now, in rough order: regional fabric and finishing capacity in Central America with brand offtake attached; U.S. technical and industrial textiles; traceability, compliance, and origin-documentation technology; and the trade services layer around quota administration if the TRQ mechanism goes live.

Least attractive is commodity cut-and-sew anywhere in the hemisphere without an integrated fabric position.

10. What policymakers should do

Five things, in order of impact.

One. Give the region a policy horizon. Whatever the substance, the single most valuable thing Washington could do is commit to a rule set for a defined period of years. The annual USMCA review, the fifteen-month preference extensions, and the serial tariff authorities are individually defensible and collectively destroy the investment case. Long-dated certainty is worth more to hemisphere production than another ten points of tariff on Asia.

Two. Extend HOPE, HELP, AGOA, and CBTPA for at least five years, now. These expire in five months. Retroactive restoration after a lapse does not rebuild a factory that closed during the lapse.

Three. Adopt the tariff credit program. It is the rare policy that four normally opposed trade associations agree on, it aligns incentives rather than mandating behavior, and it puts the benefit in the hemisphere rather than in Asia. Adopt it, size it seriously, and give it a multi-year life.

Four. Exempt textile manufacturing inputs and machinery not made in the United States. Taxing the capital equipment required to build domestic capacity is self-defeating. This has been asked for repeatedly and refused repeatedly.

Five. Publish enforcement data. CBP enforcement against origin fraud, undervaluation, and transshipment protects legitimate hemisphere producers. Enforcement nobody can see does not change behavior in a sourcing office. Publish textile enforcement statistics regularly.

And one caution. If the textile TRQ mechanism proceeds, size it against a clear-eyed estimate of how much U.S. fiber it will move. If the answer is not much, the program is a transfer of apparel market access from hemisphere partners to Asian competitors, paid for by American mill towns. That is not what it is being sold as.

11. Closing

Our team has been in this business since bilateral quota agreements were negotiated in hotel conference rooms and administered on paper. Some of us sat on the American side of those tables. We watched the MFA come down, and we watched what happened to the towns that had been built around it.

So when a tariff-rate quota mechanism turns up in 2026, tied to fiber purchases and allocated by country, we recognize the machinery. What we do not recognize is the confidence that it will work. The last time the world ran market access through government allocation, the industry spent thirty years finding ways around it, and when the system ended the adjustment was brutal precisely because everyone had built a business on the distortion.

What the hemisphere needs is a stable rulebook and a fabric base. Cleverness is not the missing ingredient.

A stable rulebook is a political question and the answer is currently no. The fabric base is a capital question, and capital is waiting on the political answer. That circular dependency is the whole problem, and it is why five years of favorable tariff differentials have produced press releases instead of plants.

But the differential is real and it is large. Central America is verticalizing. Mexico has finally built its own wall against Chinese inputs. Four trade associations that have never agreed on anything just filed the same document. Those are not nothing.

Next eighteen months decide it. The USMCA rounds run through September and into 2027. The preference programs expire in December. The TRQ mechanism gets designed in August. The tariff credit proposal is on USTR's desk right now. Every one of those decisions is being made while this paper is being read, and every one of them is still open.

Companies that wait for clarity will find that the people who moved during the uncertainty already have the capacity and the qualified suppliers locked up.

That is usually how it goes.

Notes on sources and method

This paper draws on public data from the U.S. Department of Commerce Office of Textiles and Apparel, the U.S. International Trade Commission, USDA Foreign Agricultural Service and Agricultural Marketing Service, the Bureau of Labor Statistics, the Office of the U.S. Trade Representative, and the

U.S. Customs and Border Protection. Industry data comes from the National Council of Textile Organizations, the American Apparel & Footwear Association, the United States Fashion Industry Association, Cotton Incorporated, Abrapa and Cotton Brazil, and CANAINTEX. Legal and regulatory analysis draws on published alerts from Holland & Knight, White & Case, Skadden, PwC, and Greenberg Traurig, and on Congressional Research Service reporting.

Figures are current as of July 31, 2026. Tariff treatment described here changed on July 24, 2026 and is subject to pending litigation. Verify specific HTS treatment before acting on anything in this document.

Gherzi Americas is the North American practice of Gherzi Textil Organisation AG, advising manufacturers, brands, investors, and governments across the textile, apparel, and fiber value chain.

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