## EMERGING IMPLICATIONS OF IMPACT OF US RECIPROCAL TARIFFS ON THE TEXTILES & GARMENTS SECTOR IN GHANA

### 1 Executive summary

The recent imposition of a universal 10% import tariff by the United States government on foreign products, including those from Ghana, is expected to have ripple effects on global supply chains, impacting cost of production and disrupting market stability in the near term. While these tariff hikes will have widespread repercussions across various industries, their impact will differ significantly among key manufacturing sectors. Given the Ghanaian government's focus on priority manufacturing sectors, the garment industry is anticipated to face particularly severe challenges. Despite the uncertainty surrounding the full impact, these changes could accelerate structural shifts in the global Ready-Made Garment (RMG) sector. It is anticipated that orders, primarily from Asia, will increasingly be redirected to more attractive, low-tariff markets like Ghana. Market players are beginning to signal this trend through preliminary discussions with buyers, mainly from Asia. Ghana has the opportunity to attract these orders to its domestic firms, contingent on their absorption capacity. This update attempts to provide immediate analyses on the potential impact on domestic garment manufacturing while exploring emerging strategic options/ recommendations on the way forward.

### 2 Emerging trends and development

The US Government originally imposed tariffs of 10% on Ghana and higher tariffs on competing garments manufacturing countries, such as China (145%), Cambodia (49%), Vietnam (44%) and Bangladesh (37%), potentially creating opportunities to shift production from higher-tariffed producers. However, since April 9, 2025 the USA has increased the tariffs on China to 145% but paused other tariff increases above and beyond a new 10% tariff applied globally for 90 days. This creates significant uncertainty in the near- and long-term regarding tariff rates.

Following the announcement of these tariffs, some notable trends emerging within the global garment industry are:

- Supply chain reassessment: buyers and brands are restructuring their fundamental sourcing strategies to mitigate anticipated disruptions in the global supply chains. Various governments, around 75 of them as reported by the White House, are in contact with the US administration to negotiate new trade deals which will be mutually beneficial to the US and their countries.
- Geographic diversification: brands are expected to diversify their sourcing and production away from heavily tariffed countries. This provides potential opportunities for new investments into countries with less tariffs, including Ghana (provided the critical building blocks and ecosystem are in place). However, it is unclear at this stage how successful ongoing lobbying by global brands with the US government will be.
- Trade volumes: Large-scale export-focused manufacturers will face challenges in maintaining trade volumes, potentially leading to renegotiations and reduced orders.
- Nearshoring and onshoring: The provisions in the United States – Mexico – Canada Agreement (USMCA) provides some advantages to member nations (as long as they meet the rules of origin requirements) and positions them strategically for nearshoring opportunities. Nearshoring could also occur in countries with lower tariffs who have closer geographical proximity to the US. Considerations of relocating some level of production back to the US is also on the table for some manufacturers and investors.
- Job Losses: early indications suggest potentially significant employment cuts to manage costs. Should exporters be required to absorb the cost of tariffs, as expected the end results will lead to the need to cut down cost and most of the time, personnel suffer.

### 3 Local manufacturing ecosystem

The local garment sector is likely to experience its fair share of significant disruptions, including job losses and a decline in trade volumes as buyers diversify their sourcing. Large-scale exports to the US from Ghana are predominantly led by one domestic manufacturer out of the forty textile and garment firms in the country. Trade data reveals that this firm, which employs about six thousand factory workers (seventy per cent being women), exports about 50% of its total outputs and nearly 100% of its advanced production to the US market. In this scenario, renegotiations with their US buyers are likely. Since Ghana lacks the efficiency to compete and the economies of scale and industrial infrastructure to attract more high-volume buyers, this could lead to potential reduction in volume orders. Should volume orders decline, jobs would have to be cut to manage costs and competitiveness, endangering jobs of some 3,000 workers, predominantly women.

Amidst these challenges, potential partnerships with anchor manufacturers and high-volume sourcing opportunities are likely to shift towards Ghana/ West Africa. The region has received significant FDI in recent times to establish integrated textile and garment manufacturing consequently. This is mainly due to abundance of quality raw materials and competitive labour costs. Engagements with investors from Taiwan, Sri Lanka and China underscore the rising interests in West Africa. Investor outreaches in collaboration with GIPC, TBI and AGAM have further exposed manufacturers exploring to diversify their sourcing to key opportunities in Ghana. However, the key question remains how attractive are our domestic firms to capitalise on these shifting trends and opportunities? How competitive and robust are the ecosystem and business environment to support such strategic investments? While majority of these local firms are yet to achieve the mandatory WRAP (Worldwide Responsible Accredited Production) certification to access the US market, the business environment is challenged considering the weak investment climate and challenging macroeconomic environment.

Considering the above, a massive impact on the wider sector is not envisaged. However, potential opportunities to attract investment and high-volume orders may be challenging to unlock in light of the state of the sector and business environment.

## 4 Investments

Due to the emerging uncertainties, there have been mixed reactions from global brands and buyers we have recently interacted with on investment opportunities. Generally, buyers/ brands are in a “watching brief”, trying to figure out the implementation plan by the US government. Meanwhile, commercial discussions between buyers and manufacturers are ongoing as they explore and adapt strategies or develop new mitigation approaches. At present, with 10% tariffs enforced globally (except for China), relocation is unlikely pending results of a 90-day review. If tariff rates resume the previous levels (e.g. 37% in Bangladesh), some Bangladeshi manufacturers and investors suggest that relocation is unlikely because competitor markets (for example, China, Vietname and Cambodia) face higher tariffs. However, other manufacturers and investors may feel there is a pressing need to start exploring opportunities in new countries with less tariffs. Also, relocation of manufacturing from China represents a significant opportunity since tariff rates for Chinese exports are likely to remain high. Some domestic firms are optimistic about the situation, with one hinting that their opportunity to partner a big-name brand is beckoning. They have thus intensified outreaches/ engagements with such global brands and firms, predominantly in Asia. On the other hand, based on intelligence gathered by JET, investors and manufacturers from Asia are actively exploring establishing textile and garment factories in Ghana and nearby countries.

While Ghana’s geographic advantage provides shorter lead times and cheaper logistics cost to the US market, the high energy costs, access to quality feedstock and raw materials as well as production efficiencies (skills, certification and compliance) essentially erode these gains. This is further heightened by the need for industrial infrastructure. It has taken a blend of sector vision, leveraging raw materials, structural advantages and incentives to attract investment into nearby Togo, Benin and Ivory Coast to establish integrated Textile mills, spurring economic growth and development.

The investment landscape needs to be review holistically to unlock investments into the garment industry.

## 5 Policy

At the heart of this conundrum is lower production costs and scale economics. In a ‘do-nothing’ scenario, about three thousand jobs will be at stake. It is therefore imperative for Ghana Government to act swiftly to support the competitiveness of the private sector. It is relieving to have participated in the stakeholder engagement organised by the Ministry of Trade, Agribusiness and Industry to engage and generate ideas through a public-private stakeholder consultation. During the session, the Hon. Minister pledged her support for the T&G sector policy and support to unlock domestic demand for garments. Government's role in improving the business environment is even more crucial under the prevailing circumstances.

Thus, the T&G policy proposal should be urgently reviewed and approved to cushion domestic manufacturers immediately from the harsh effects of the tariffs. The provisions contained in the policy document, when implemented, will also signal to investors and buyers to spotlight opportunities in Ghana. The policy is expected to provide the much-needed incentives (fiscal and non-fiscal) and improve access to industrial infrastructure, competitive energy costs and access to finance.

## 6 Other Sectors

The impact on other priority manufacturing sectors of the Ghanaian government such as automotive and pharmaceuticals will be indirect and varied. The growth of these sectors will be hampered by the broader economic uncertainty and protectionist trade policies. Currently, Pharmaceuticals are exempted from the tariffs. Very limited amount of automotive products are currently exported to the US market. Basically, due to supply chain disruptions, productions costs are expected to increase along cost of raw materials. Production inputs sourced from other sectors affected by the tariffs will also experience price hikes.

## 7 Recommendations

Key recommendations emerging from the above include:

- Undertake a comprehensive review of the T&G manufacturing policy in light of current developments.
- Approve and implement the T&G manufacturing policy to improve the ecosystem and provide the fiscal and non-fiscal incentives required to mitigate the impact of the tariffs on the private sector, enhance competitiveness and potentially attract new large-scale export-oriented manufacturing investments and job creation.
- Leverage public procurement process to boost domestic demand while intensifying efforts to diversify trade partnerships through ECOWAS and AfCFTA. This should include bi-laterals and multi-laterals with the EU and UKTPA.
- Progress the SEZ policy as an important infrastructure to attract industrial infrastructure developers and accelerate investments into the required plug and play infrastructure suitable for garment manufacturing.
- Continue to seek diplomatic negotiations with the US government (also collaborating with regional institutions such as AfCFTA and AU) for tariff reductions and/ or exemptions.
- Intensify investor outreach to buyers and brands in key markets in Asia, collaborating with development partners (TBI, ILO, IFC etc) and Ghanaian government (MoTAI, GIPC) to unlock manufacturing investments into the garment sector.
- Incentivise and stimulate widespread certification of ESG compliance, especially for the US market.
- Continuous stakeholder engagement to ensure that policies and strategies are aligned with industry needs and realities.
- Government could propose a policy to incentivize production efficiencies and investments into cutting edge technologies. This will motivate factories to pursue the highest quality, efficiency to cover cost of tariffs and technologies to improve on production.

The UK's JET programme will continue to monitor developments while exploring opportunities to collaborate with industry stakeholders to progress the above recommendations.