

Beyond Trade Preferences: Contingent Development and Structural Transformation Under Agoa in Lesotho

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ABSTRACT

The African Growth and Opportunity Act (AGOA), introduced by the United States in 2000, has been an important mechanism for integrating sub-Saharan African economies into global markets. Lesotho is a significant beneficiary, as AGOA supported the expansion of its textile and apparel industry, generating employment, exports, foreign exchange, and participation in global production networks. Yet these gains have not necessarily translated into durable structural transformation. This article examines how AGOA shaped economic transformation in Lesotho and whether export-led growth generated sustainable domestic productive capabilities. It employs a qualitative critical-case design and a structured synthesis of academic literature, institutional reports, government documents, and policy sources published between 2000 and 2026. The analysis is organised around export growth and employment, technological upgrading, domestic linkages, external dependence, gendered effects, resilience, and diversification. The article argues that AGOA generated substantive developmental gains but did not, by itself, produce the capabilities required for sustained structural transformation. To explain this outcome, the article develops the concept of contingent development: a condition in which genuine economic progress is enabled by externally structured opportunities while the durability of those gains remains dependent on external markets, investment decisions, and policy arrangements. Lesotho's experience shows that global value-chain participation can create employment and export capacity without producing sufficient technological learning, domestic linkages, or strategic control. The article concludes that preferential market access should be viewed as an opportunity for capability accumulation, rather than a substitute for industrial policy. Sustainable transformation necessitates stronger domestic productive capabilities, regional integration, diversification, and coordinated industrial policy.

Keywords: AGOA, trade preferences, structural transformation, productive capabilities, Lesotho

INTRODUCTION

Trade has occupied a central position in development debates for decades. For many developing economies, integration into global markets has been promoted as a pathway to economic growth, employment creation, export expansion, and poverty reduction. Preferential trade arrangements are particularly important for small and less industrialised economies seeking access to larger international markets.

The rationale underpinning trade preference programmes is clear-cut. Improved market access can stimulate investment, expand production, generate employment, and enable economic transformation. However, development scholarship has long questioned whether trade integration alone is adequate to generate sustainable development. Export growth does not inherently yield industrial upgrading, technological advancement, domestic linkages, or greater economic resilience. The central issue is therefore not merely whether developing countries participate in global markets, but whether they possess the capabilities and institutions required to convert such participation into sustained development.

The African Growth and Opportunity Act (AGOA), enacted by the United States in 2000, provides an important case through which to examine this question. AGOA provides eligible sub-Saharan African countries with

preferential access to the United States market, subject to eligibility conditions concerning economic governance, the rule of law, human rights, labour rights, and other policy requirements (1). Following its expiry in September 2025, AGOA was reauthorised in February 2026 through December 31, 2026, with retroactive effect. The short extension has renewed questions concerning the durability of development strategies built around preferential market access (2, 3).

These questions have grown more urgent as global production networks undergo substantial restructuring. These developments present both risks and opportunities for developing economies whose industrial strategies have traditionally relied on externally oriented production.

Lesotho offers a particularly illuminating case study. Its textile and apparel industry expanded significantly following the introduction of AGOA, becoming a major source of formal private-sector employment and foreign exchange. The sector thus represents a significant industrial accomplishment for a small, landlocked economy.

From one viewpoint, Lesotho exemplifies the potential of trade preferences to catalyse industrial development. AGOA helped establish and expand an export-oriented manufacturing sector despite the country's limited domestic market and industrial base. However, this industrialisation remains highly dependent on foreign investors, external markets, imported inputs, and international buyers. The country's participation in global apparel production has generated employment and exports, but evidence of sustained movement into higher-value functions, technological learning, domestic enterprise development, and innovation remains limited.

This poses a fundamental development question: can engagement in global markets generate sustainable structural transformation when domestic productive capabilities remain weak? AGOA has generated tangible economic gains, yet those gains have remained precarious because they have not been adequately converted into domestic productive capabilities.

Research Gap and Contribution

Existing scholarship has extensively examined AGOA in relation to export performance, employment, investment, and global value-chain participation. Scholars have documented Lesotho's export growth, foreign investment patterns, and the gendered composition of its garment workforce (5, 7, 8). However, comparatively less attention has been directed towards the mechanisms through which preferential market access is converted, or fails to be converted, into durable domestic productive capabilities. This article addresses that gap by conceptualising Lesotho's experience as a form of contingent development, thereby distinguishing externally generated economic gains from the domestic capability accumulation required for sustained structural transformation.

Contingent development refers to development processes in which economic progress is generated through externally structured opportunities, whilst the durability of that progress remains dependent on external conditions. Such conditions may include trade preferences, foreign investment, global production networks, international market demand, and external policy decisions. The concept draws attention to the coexistence of development gains and structural vulnerability. Its distinctive analytical focus is therefore the durability and reproduction of those gains.

The article makes three contributions. First, it provides a political economy analysis of AGOA's developmental effects in Lesotho by distinguishing export growth from deeper structural transformation. Secondly, it contributes to debates on trade-led development by showing how market access can operate as an enabling condition without becoming a complete development strategy. Thirdly, it develops contingent development as an analytical concept centered on the durability and reproduction of development gains when the conditions that generated them remain externally structured.

The article asks: How has AGOA shaped economic transformation in Lesotho, and to what extent have the resulting gains contributed to sustainable domestic productive capabilities? The article first reviews the literature on trade preferences, dependency, global value chains, industrial policy, and productive capabilities before developing the concept of contingent development. It then outlines the methodology and analyses Lesotho's

experience under AGOA, focusing on export growth, employment, industrial upgrading, domestic linkages, external vulnerability, and gendered effects. The article concludes by considering implications for industrial policy and trade-led development.

LITERATURE REVIEW AND ANALYTICAL FRAMEWORK

Trade Preferences and Structural Transformation

Trade preferences have historically been promoted as instruments for accelerating economic development by improving developing countries' access to international markets. Enhanced market opportunities can stimulate investment, expand production, create employment, and generate foreign exchange. For small economies with limited domestic markets, such access can be particularly important.

Development scholarship nevertheless differentiates between economic expansion and structural transformation. Structural transformation entails changes in the composition and productivity of economic activity, including progression towards higher-value production, technological learning, skills development, domestic linkages, and increasing productive sophistication. Rodrik (9) contends that successful development depends on policy strategies that respond to country-specific institutional and economic conditions rather than relying on universal prescriptions. Historical experiences of industrialisation demonstrate that countries achieving sustained transformation often combined participation in international markets with deliberate strategies for building productive capabilities (10, 11).

This distinction is central to understanding AGOA. Preferential market access can provide incentives for firms to locate production in beneficiary countries, but access alone does not determine whether those countries move into higher-value activities. The developmental consequences of preferences depend on whether export opportunities are accompanied by investment in technology, skills, domestic firms, infrastructure, and institutional capabilities.

Dependency and Unequal Integration

Dependency theory provides an important starting point for analysing the structural constraints facing developing economies. Frank (12) argued that global capitalism reproduces relationships between dominant and peripheral economies, while Amin (13) emphasised the structural limitations placed on autonomous development by unequal international economic relations. Cardoso and Faletto (14) subsequently developed a more nuanced account in which development could occur within dependent relationships while recognising that the nature of such relationships shaped the possibilities for domestic transformation.

Although classical dependency approaches have been criticised for underestimating domestic agency, their emphasis on external structures remains relevant to economies whose development depends heavily on preferential trade arrangements. Lesotho's textile sector demonstrates how export growth can occur within a production structure strongly influenced by foreign capital, external buyers, imported inputs, and external trade policy.

The significance of this perspective is not that AGOA necessarily reproduces dependency in a deterministic manner. Rather, dependency analysis draws attention to the conditions under which externally generated opportunities may constrain the development of domestic capabilities. The central analytical question is therefore how externally oriented industrial growth can be converted into more durable domestic productive capacity.

Global Value Chains and Upgrading

Global Value Chain (GVC) scholarship provides a complementary perspective. Production in many industries is organised through internationally fragmented networks in which firms and countries undertake different stages of production. Gereffi, Humphrey, and Sturgeon (15) demonstrate that governance structures within these chains shape the opportunities available to participating firms and economies.

GVC participation can provide developing economies with an entry point into manufacturing because firms can initially undertake relatively standardised production activities. Participation, however, does not automatically result in upgrading. Higher-value functions such as product development, design, branding, marketing, research, and strategic decision-making may remain concentrated in lead firms located elsewhere.

This distinction is particularly relevant to Lesotho. AGOA facilitated the country's entry into global apparel production, but much of the sector has remained concentrated in labour-intensive manufacturing. Jeppesen and Bezuidenhout (5) show that production networks in Lesotho have been strongly influenced by foreign-owned firms and international buyers. The resulting production structure provides employment and export opportunities but leaves workers, firms, and the wider economy exposed to decisions made elsewhere.

Productive Capabilities and Industrial Policy

The literature on productive capabilities provides a further basis for distinguishing export growth from structural transformation. Lall (16) argues that technological capabilities are accumulated through learning processes occurring within firms and institutions. Development therefore requires more than access to markets. It requires the ability to acquire, adapt, improve, and generate technologies and organisational knowledge.

Industrial policy is important because markets alone may not provide sufficient incentives for firms to undertake the learning and investment required for upgrading. Amsden (10) demonstrates how late industrialisers used strategic state intervention to promote learning and productivity, while Wade (17) shows how governments in East Asia combined market mechanisms with coordinated industrial strategies. Chang (11) likewise contends that successful industrialisation historically necessitated active state support for domestic capabilities. Within Africa, Mkandawire (18) emphasises the importance of developmental states capable of coordinating transformation.

Recent African industrial policy scholarship reinforces this argument. Asiama et al. (19) argue that industrialisation strategies in Africa must address gaps in infrastructure, skills, technological capabilities, and productive ecosystems. The African Development Bank (20, 21) has similarly emphasised the importance of industrialisation for diversification, productive employment, and resilience.

These perspectives suggest that AGOA should be understood as an opportunity capable of supporting industrialisation rather than as a substitute for industrial policy.

Contemporary Restructuring, Resilience, and Regionalism

The international environment in which AGOA operates has also changed. The Global Value Chain Development Report 2025 describes a restructuring of global production associated with technological change, climate pressures, and geopolitical shifts (4). Rather than assuming that global production will continue to be organised primarily around cost minimisation, contemporary debates increasingly emphasise resilience, diversification, and strategic security.

For economies dependent on narrow export markets, these changes increase the importance of diversification and domestic productive capabilities. Regional integration offers one possible response. The African Continental Free Trade Area provides a framework through which African countries can develop regional markets, expand intra-African trade, and build regional value chains. The United Nations Economic Commission for Africa (22) has emphasised the need for Southern African countries to use the AfCFTA to strengthen value addition, economic diversification, and regional industrialisation.

A development strategy that combines external market access with stronger regional linkages may therefore offer greater resilience than one centred predominantly on a single preferential market.

Contingent Development: Theoretical Contribution and Conceptual Distinctions

Building upon these debates, this article proposes contingent development as a framework for comprehending development processes wherein externally structured opportunities generate genuine economic progress, while the durability of those gains remains contingent upon the continuation of those opportunities.

Contingent development has four defining characteristics. Firstly, it involves genuine economic progress. Export growth, employment creation, investment, and foreign exchange earnings are therefore regarded as substantive development outcomes, rather than dismissed as inconsequential. Secondly, the resulting gains depend substantially upon external conditions. Thirdly, domestic capability accumulation remains insufficient to render those gains fully self-sustaining. Fourthly, changes in the external environment can consequently generate disproportionate economic and social consequences.

The value of contingent development lies not in proposing external dependence as a novel phenomenon, but in delineating a particular developmental trajectory that existing frameworks do not fully capture. Dependency approaches primarily elucidate the structural conditions under which accumulation occurs. Enclave industrialisation accentuates the weakness of domestic linkages. Global value chain approaches emphasise firms' positions and upgrading opportunities within international production networks. Contingent development brings these dimensions together around a distinct analytical question: how durable are development gains when the conditions that generated them are externally structured and subject to change?

The concept therefore identifies a specific tension between economic progress and developmental durability. An economy may experience substantial increases in exports, employment, investment, and foreign exchange earnings whilst failing to accumulate sufficient domestic capabilities to sustain or reproduce those gains independently of changing external conditions. Contingent development is consequently not synonymous with dependency, enclave industrialisation, or GVC dependency. Rather, it describes a developmental condition in which genuine economic gains remain structurally conditional because domestic capability accumulation has not advanced sufficiently to reduce exposure to external markets, investors, policy regimes, and strategic functions.

This distinction is particularly relevant to Lesotho because the country's apparel sector cannot be characterised simply as a failed industrialisation experience. AGOA generated quantifiable productive and employment gains. The analytical problem is instead the limited conversion of those gains into capabilities able to sustain transformation when external conditions alter. Contingent development therefore shifts focus from the existence of development gains to their conditions of reproduction and durability.

Conceptual Propositions

To formalise contingent development as an analytical framework, the article proposes three propositions.

Proposition 1: Sustainable structural transformation necessitates that export expansion be accompanied by domestic productive-capability accumulation. Where capabilities remain feeble, externally generated gains remain vulnerable.

Proposition 2: Where export expansion occurs without substantial domestic capability accumulation, development gains remain contingent upon external market, investment, and policy conditions. The durability of development is therefore conditional rather than inherent.

Proposition 3: Vulnerability to external shocks increases with the concentration of exports, ownership, inputs, and strategic functions beyond the domestic economy. Contingent development is therefore linked to persistent structural dependence.

These propositions form the basis for operationalising contingent development as an analytical framework. They generate expectations that can be examined via comparative, longitudinal, and firm-level research.

Conceptual Distinctions from Existing Frameworks

Table 1: Contingent Development Compared with Existing Concepts

Concept	Distinction from Contingent Development
Dependent Development (Cardoso & Faletto, 1979)	Contingent development focuses on the durability of gains, not merely whether development occurs within dependency. Contingent development focuses on the durability of gains, not just whether development occurs within dependency.
Enclave Industrialisation	Contingent development is broader, encompassing external policy and investment dependence, not merely weak linkages. Contingent development is broader, including external policy and investment dependence, not just weak linkages
GVC Dependency (Gereffi et al., 2005)	Contingent development extends beyond GVC position to policy regimes and the durability of gains
Premature Deindustrialisation (Rodrik, 2016)	Contingent development does not necessitate deindustrialisation; industrial growth can remain contingent. Contingent development does not require deindustrialisation; industrial growth can remain contingent.

Source: Author's compilation based on the cited literature.

The conceptual framework distinguishes contingent development from deterministic accounts of dependency while recognising the structural constraints facing preference-dependent economies. It is operationalised through the analysis of Lesotho's textile sector in Section 4.

AGOA and Lesotho's Industrialisation Experience

A substantial body of scholarship has examined Lesotho's experience under AGOA. This literature provides evidence of significant employment and export gains following the expansion of the apparel sector. Jeppesen and Bezuidenhout (5) demonstrate that Lesotho's garment industry employed approximately 50,000 workers at its peak, with women constituting the majority of the workforce. Morris and Staritz (7) show that Lesotho became one of sub-Saharan Africa's significant apparel exporters to the United States, with exports reaching more than USD 500 million annually at their peak.

Research has consistently highlighted the importance of foreign investment in Lesotho's apparel sector. Kaplinsky and Morris (24) demonstrate that Taiwanese, Chinese, and South African investors were central to the industry's expansion. However, this ownership structure has also been identified as a limitation, with Gibbon (25) observing the marginal position of domestic firms and entrepreneurs.

GVC scholarship has further examined Lesotho's position within global apparel production networks. Morris and Staritz (26) and Pickles, Smith, and Begg (8) demonstrate that Lesotho has largely remained concentrated in labour-intensive manufacturing, with limited progression into higher-value functions such as design, product development, and branding. Staritz, Morris, and Knorrinda (27) identify the challenges confronting African apparel producers seeking to upgrade within buyer-driven global value chains.

Lesotho's reliance on AGOA has also been examined through the rules of origin governing apparel exports. The special rule for apparel, commonly referred to as the third-country fabric provision, permitted Lesotho to utilise fabric from outside the United States and Africa, enabling the sector to develop despite the absence of a substantial domestic textile industry (28). This arrangement facilitated export growth while simultaneously reinforcing dependence on imported inputs.

The gender composition of Lesotho's garment workforce has attracted scholarly attention. Jeppesen and Bezuidenhout (5) examine the sources of workers' power in Lesotho's garment manufacturing industry and

highlight bargaining asymmetries between workers, suppliers, and international buyers. Their findings demonstrate that women workers face particular vulnerabilities within global production networks, with employment conditions shaped by global competition and limited labour market power.

A growing body of evidence has also examined the vulnerability associated with Lesotho's dependence on external markets. The 2025 lapse and 2026 short-term renewal of AGOA demonstrated how uncertainty over United States market access can impact firms and workers in Lesotho (2, 3).

Despite this extensive scholarship, existing research has not sufficiently addressed whether Lesotho's AGOA-generated industrial growth has been converted into sustainable domestic productive capabilities. The concept of contingent development addresses this analytical gap.

METHODOLOGY

Research Paradigm and Design

The study adopts an interpretivist research orientation informed by critical political economy. This approach is appropriate as the research seeks to understand how trade preferences, institutions, productive capabilities, and international production structures interact to shape development outcomes.

The study employs a qualitative single-case design using Lesotho as a critical case. Lesotho is analytically useful as it represents a significant AGOA experience in terms of export-oriented garment production while simultaneously exhibiting persistent dependence on external markets and investment. The case therefore provides an opportunity to examine whether export success has translated into deeper structural transformation.

To strengthen the analytical framework, the study incorporates a comparative dimension by drawing on scholarship examining Kenya, Ethiopia, and Mauritius. These cases serve as contextual reference points rather than as equivalent comparative cases. Their inclusion helps distinguish challenges associated specifically with Lesotho from those that may characterise preference-dependent industrialisation more broadly (24, 27).

Search Strategy and Source Identification

The evidence base was assembled through structured searches of academic databases and institutional repositories. The search covered material published between 2000 and 2026 and included Scopus, Web of Science, Google Scholar, the United Nations Economic Commission for Africa, the International Labour Organization, UNCTAD, the World Trade Organization, the Office of the United States Trade Representative, the World Bank, the African Development Bank, Lesotho government publications, the Lesotho National Development Corporation, and ODI. The review was structured and transparent, but it was not presented as a formal systematic review or meta-analysis because the study's purpose was analytical synthesis rather than exhaustive estimation of an effect size.

The search employed combinations of the following terms: AGOA, Lesotho, textiles, apparel, garment, trade preferences, global value chains, industrial policy, productive capabilities, structural transformation, employment, foreign investment, women workers, and African industrialisation. The review was restricted to English-language sources. Greater emphasis was placed on post-2020 scholarship and institutional evidence while retaining earlier foundational studies where these were necessary to establish the theoretical and historical foundations of the analysis.

Source Screening and Selection

The literature search identified approximately 250 potentially relevant academic and institutional records. After removal of 45 duplicates, 205 records were screened on the basis of their titles and abstracts. A total of 127 records were excluded as they did not address the relationship between trade preferences, industrial development, global value chains, productive capabilities, or structural transformation in a manner relevant to the study. The remaining 78 records underwent full-text assessment, resulting in the exclusion of a further 50 as they did not

provide sufficiently relevant theoretical, empirical, or institutional evidence. The final analytical synthesis comprised 28 sources selected for substantive relevance and evidentiary depth rather than numerical breadth.

Source selection was guided by four criteria: relevance to the research questions; substantive engagement with AGOA, trade preferences, industrialisation, global value chains, or productive capabilities; methodological or institutional credibility; and sufficient analytical or empirical detail to inform the study’s interpretation. Priority was accorded to peer-reviewed scholarship and authoritative institutional sources, including government agencies, international organisations, and recognised development research institutions.

Where evidence across sources differed, the analysis did not presume that one source was necessarily definitive. Instead, findings were interpreted through triangulation, with particular focus on the consistency of evidence across academic studies, institutional reports, government sources, and policy documents. This approach was designed to reduce reliance on any single source and to bolster the credibility of the qualitative synthesis.

The screening and selection process is summarised below.

Table 2: Source Selection and Screening Process

Stage	Description	Number
1	Records identified through database searches	n = 250
2	Duplicates removed	n = 45
3	Records screened by title/abstract	n = 205
4	Records excluded (not relevant)	n = 127
5	Full-text articles assessed	n = 78
6	Records excluded (insufficient evidence)	n = 50
7	Studies included in qualitative synthesis	n = 28

Table 2: Source Selection and Screening Process (Source: Author’s compilation based on search results)

Treatment of Conflicting Evidence

Where sources presented conflicting evidence or data, the analysis employed a structured approach. Quantitative discrepancies, including differences in reported export shares, were cross-referenced against multiple sources. Where discrepancies remained, the source and rationale for the selected figure were identified in the relevant table or discussion.

Where sources differed in their interpretation of industrial upgrading or developmental outcomes, greater analytical weight was assigned to peer-reviewed scholarship, while recent evidence was prioritised where it directly addressed contemporary developments. The analysis also acknowledges that a qualitative secondary source design cannot establish definitive causal relationships between AGOA and all observed outcomes.

Data Extraction and Analysis

Data extraction was organised around seven analytical categories derived from the theoretical framework: export growth and employment creation; industrial upgrading and technological learning; productive capabilities and domestic linkages; external dependence and trade preference concentration; gender dimensions of trade-led development; resilience and vulnerability to external shocks; and regional integration and diversification. Each source was coded against the three conceptual propositions, with particular attention to whether the evidence demonstrated (i) capability accumulation alongside export expansion, (ii) continued dependence on external market, investment, or policy conditions, and (iii) concentration of ownership, inputs, exports, or strategic functions outside the domestic economy.

The analysis was interpretive rather than a quantitative meta-analysis. Sources were examined for convergence, contradiction, and explanatory relevance, and evidence was organised in an analytical matrix linking empirical findings to the three propositions. The final stage involved conceptual synthesis, through which recurring

relationships between external opportunity, economic gains, limited capability accumulation, and vulnerability were assessed against the contingent development framework. This procedure allows the study to make an analytically grounded argument while avoiding a claim of statistical causality.

Limitations

The study has four principal limitations. Firstly, it relies chiefly on secondary evidence and therefore cannot provide direct firm-level or worker-level primary data. Secondly, Lesotho is treated as a critical rather than representative case, which limits the generalisability of the findings. Thirdly, contingent development is developed analytically rather than subjected to statistical testing. Fourthly, although comparative evidence from Kenya, Ethiopia, and Mauritius is incorporated, the study does not constitute a systematic comparative analysis. Finally, the source-screening process was designed for analytical synthesis rather than a formal systematic review; consequently, the study should be read as a theoretically informed qualitative synthesis rather than as an exhaustive inventory of all AGOA literature.

ANALYSIS AND DISCUSSION

Export Growth and Employment Creation

AGOA created an important opportunity for Lesotho's industrial development by improving access to the United States market. The programme encouraged foreign investors to establish and expand garment manufacturing operations, contributing to the development of an export-oriented industrial sector.

The scale of employment creation was significant for a small economy. Historical evidence indicates that approximately 50,000 workers were employed in Lesotho's garment factories at the industry's peak, with women comprising the majority of the workforce (5). More recent LNDC data indicate that approximately 31,000 to 34,000 jobs remained in the sector in 2024, again predominantly among women. Garment exports were approximately USD 300 million in the same year (6).

Table 3: Selected Indicators of Lesotho's Apparel Sector Under AGOA

Indicator	Historical Peak	2024	Change
Garment employment	c. 50,000	c. 31,000–34,000	Decline
Female employment share	Majority	c. 75%	Stable
Garment exports	c. USD 500m	c. USD 300m	Decline
Main export destinations	USA	South Africa (49%); USA (48%)	Diversified

Note: Historical peak figures refer to the mid-2000s. Destination shares refer to LNDC's reported textile and garment exports combined. Sources: Jeppesen and Bezuidenhout (5); Lesotho National Development Corporation (6); Morris and Staritz (7).

The developmental importance of these gains should not be underestimated. Employment in the garment industry provided formal wage opportunities in an economy with a relatively limited formal private sector. Export earnings contributed to foreign exchange generation and connected Lesotho to international production networks. These outcomes demonstrate that AGOA produced substantive economic benefits. The analytical question is therefore not whether development occurred, but whether the resulting gains generated sufficiently deep domestic capabilities to sustain and extend the transformation process.

Limited Technological Upgrading

The central limitation of Lesotho's AGOA experience is not the absence of industrial activity but the limited depth of technological upgrading within that activity. The sector has generated substantial production and employment, yet available evidence indicates that production remains concentrated in relatively standardised, labour-intensive manufacturing activities. Participation in export manufacturing should therefore not be interpreted automatically as evidence of technological transformation.

Evidence points to limitations in the depth of upgrading. Production remains concentrated in basic cutting, sewing, and finishing operations, with limited adoption of more advanced manufacturing technologies such as automated cutting and computer-aided design. The sector has also demonstrated limited movement into higher-value functions, including product development, design, branding, and related knowledge-intensive activities (5, 8, 15, 26, 27).

The persistence of these limitations suggests that export participation has generated production capacity without producing equivalent growth in technological capabilities. In GVC terms, Lesotho has achieved functional participation in international apparel production while remaining concentrated in relatively low-value segments of the chain. This is consistent with the wider literature showing that entry into global production networks does not automatically generate upgrading. Upgrading depends on learning, investment, technological adaptation, skills development, institutional support, and opportunities for domestic firms to acquire more sophisticated functions (15, 26, 27).

The evidence should not be interpreted to mean that no upgrading has occurred. Rather, the available evidence indicates that upgrading has been insufficiently broad and deep to alter the underlying production structure of the sector. This distinction supports the article's broader argument that AGOA facilitated industrial expansion, but the conversion of that expansion into sustained technological capability has remained incomplete.

Table 4: Evidence of Industrial Constraints in Lesotho's Textile Sector

Dimension	Evidence	Sources
Technology	Limited automation; basic machinery	Morris & Staritz (2016)
Ownership	Foreign-owned factories dominate	Jeppesen & Bezuidenhout (2024); Kaplinsky & Morris (2010)
Skills	Low-skill tasks; limited training	Jeppesen & Bezuidenhout (2024)
Sourcing	All fabric and inputs imported	Flint (2008); LNDC (2024)
Value addition	Cutting, sewing, and finishing	Pickles et al. (2018)
Strategy	Design and branding external	Staritz et al. (2016)

Table 4: Evidence of Industrial Constraints in Lesotho's Textile Sector (Source: Author's compilation based on the cited literature).

Weak Domestic Linkages and Capability Accumulation

Technological upgrading within firms represents only one dimension of structural transformation. A second question concerns whether export production generates capabilities, suppliers, skills, enterprises, and productive linkages elsewhere in the domestic economy. Where such linkages deepen, export-oriented production can generate wider multiplier effects and contribute to cumulative industrial development. Where they remain weak, export growth may coexist with limited domestic capability accumulation.

Lesotho's apparel industry exhibits important limitations in this regard. Foreign ownership remains dominant, while domestic firms and entrepreneurs occupy a relatively marginal position in the sector (5, 24). Strategic functions such as design, product development, branding, and marketing also remain substantially external. In addition, the sector depends heavily on imported fabric and other inputs, reflecting the absence of a substantial domestic textile production base (28). The LNDC has consequently identified the strengthening of upstream inputs and diversification of supply chains as continuing priorities (6).

Import dependence, by itself, should not be treated as evidence of failed industrialisation. Early-stage industrialisation frequently depends on imported machinery, materials, and intermediate goods. The more significant issue is whether imported inputs are accompanied by domestic learning, supplier development, technological adaptation, managerial capability, and enterprise formation. In Lesotho, the available evidence suggests that these processes have not developed sufficiently to create a broad domestic industrial ecosystem around the apparel sector.

The result is a form of export integration in which production occurs domestically but several critical sources of value creation and strategic control remain external. This weakens the capacity of the sector to generate cumulative domestic capabilities and helps explain why substantial export and employment gains have not yet produced proportionate structural transformation.

Preference Dependence and External Vulnerability

The dependence of Lesotho's garment sector on external markets became particularly visible during the disruption of United States trade policy in 2025. The expiry of AGOA in September 2025 and subsequent uncertainty over United States market access exposed the vulnerability associated with the sector's concentration in external markets. ODI (2) reports that the disruption resulted in cancelled orders, slower production, and significant uncertainty for firms and workers.

This episode provides a particularly clear illustration of contingent development. Firms, workers, and households were exposed to policy decisions made outside Lesotho, demonstrating how external institutional arrangements can affect domestic employment and production when productive structures are strongly dependent on preferential market access.

The subsequent reauthorisation of AGOA further illustrates this contingency. AGOA was reauthorised in February 2026 through December 31, 2026 (3). ODI (2) characterises the renewal as providing only a limited period of certainty for Lesotho's garment industry. The renewal protects an important market opportunity but does not eliminate the structural dependence identified in this article.

Trade preferences remain valuable because they create opportunities that may otherwise be unavailable. The policy challenge is therefore not to reject preferential access but to use such access to build productive capabilities that retain value when the preference regime changes.

Gendered Dimensions of Contingent Development

The dependence of the textile sector has important gender implications because women constitute the majority of its workforce. ODI (2) reports that approximately 34,000 people were employed in the sector, with roughly three-quarters being women.

When trade disruptions occur, women employed in the garment industry face direct income risks that may affect household welfare. The exposure of women workers is particularly important because employment within the sector has become an important source of formal income for households in Lesotho. Consequently, external trade policy changes can generate social consequences that extend beyond firms and export statistics.

The literature also demonstrates that employment does not automatically constitute social upgrading. Jeppesen and Bezuidenhout (5) show that workers in Lesotho's garment industry operate within global production networks characterised by significant bargaining asymmetries among workers, suppliers, and international buyers.

The gendered concentration of employment therefore gives contingent development a significant social dimension. The benefits generated by export manufacturing are distributed through employment, while the risks associated with external market and policy shocks may be disproportionately experienced by women workers whose bargaining power within global production networks remains constrained.

Comparative Reflections: Lesotho in Regional Context

Lesotho's experience becomes more analytically meaningful when considered alongside other African economies that have pursued export-oriented industrialisation. The comparison is intended as a contextual reference rather than as a systematic cross-national test.

Kenya's apparel sector has also relied significantly on AGOA preferences, but it has developed a somewhat more diversified export base and stronger connections with regional markets (27). Ethiopia's industrial park

strategy has incorporated more explicit forms of industrial policy coordination, particularly through state-supported industrial infrastructure and investment promotion (19). Mauritius provides a longer-term example of how a small economy can progressively develop and diversify textile and apparel production through sustained institutional and industrial policy interventions.

These cases indicate that dependence on external markets does not necessarily produce identical developmental outcomes. Differences in industrial policy, domestic enterprise participation, institutional capacity, market diversification, and the ability to develop domestic capabilities may influence whether export-oriented production contributes to longer-term structural transformation. The comparative evidence consequently suggests that Lesotho's trajectory is not inevitable, although systematic comparative research would be required to establish the relative importance of these factors.

Alternative Explanations for Lesotho's Experience

A rigorous assessment of AGOA's developmental effects must distinguish outcomes reasonably associated with the trade preference regime from those generated by broader structural conditions. Lesotho's limited industrial transformation cannot be attributed exclusively to AGOA because several constraints predate the programme and operate independently of it.

The first is the country's small domestic market. Lesotho's relatively small population limits domestic demand for manufactured goods and reduces the scope for firms to rely on domestic consumption as an alternative to export markets. This condition makes external market access particularly important while simultaneously limiting opportunities for domestically oriented industrial expansion.

The second is a geographical constraint. As a landlocked country entirely surrounded by South Africa, Lesotho faces logistical challenges and relatively high transport costs associated with both imported inputs and exported products. These conditions affect the competitiveness of manufacturing activities and increase the significance of regional transport infrastructure.

Third, Lesotho's close economic integration with South Africa shapes the country's industrial structure and policy space. South Africa is a major trading partner and an important source of imports, creating both opportunities for regional integration and constraints associated with asymmetric economic relationships.

Fourthly, infrastructure limitations, including transport, energy, and communications, may constrain industrial competitiveness and increase production costs. These limitations cannot reasonably be attributed to AGOA and instead reflect broader development challenges.

Finally, the structural characteristics of the global apparel industry also matter. Apparel production is characterised by intense international competition, relatively low barriers to entry, short production cycles, and buyer-driven value chains in which lead firms exercise considerable influence over production and market conditions. These characteristics can limit the opportunities available to producers in developing countries regardless of trade preference arrangements.

AGOA alone therefore cannot explain Lesotho's industrial constraints. The argument advanced here is more specific. Preferential market access created an opportunity for industrial capability accumulation, but the opportunity was not leveraged sufficiently to reduce structural dependence. A more diversified industrial base, stronger domestic linkages, greater technological capability, and broader market access would plausibly have reduced the country's exposure to trade policy shocks regardless of their precise origin.

From Market Access to Transformative Development

The central implication of Lesotho's experience is that trade access should be treated as a starting point for industrial development rather than as its endpoint. AGOA provided a platform from which industrial capabilities could have been progressively developed. The challenge has been the incomplete conversion of market access into domestic capability accumulation. The evidence therefore supports a conditional rather than deterministic

interpretation: AGOA created an opportunity structure, but the depth and durability of transformation depended on complementary domestic capabilities and institutions.

This does not imply that Lesotho should withdraw from global markets. Such an approach would be economically unrealistic and potentially harmful to workers and firms. The relevant policy question is instead how global integration can be combined with domestic capability building.

A more transformative approach would seek to increase technological learning, strengthen local and regional supplier networks, develop domestic firms, expand technical and managerial capabilities, and encourage movement into higher-value functions. Such measures would enable preferential market access to function as a mechanism for capability accumulation rather than as a permanent basis for externally dependent production.

Contingent Development as an Analytical Framework

The Lesotho case provides a basis for specifying contingent development as a distinct analytical trajectory. The process begins with an externally structured opportunity, in this case, preferential access to the United States market, which enables export expansion, employment creation, investment, and integration into global value chains. These gains constitute genuine development rather than an absence of development.

The subsequent trajectory depends on whether export expansion generates sufficient domestic productive capabilities to reduce exposure to the conditions that initially enabled it. Where technological learning, domestic linkages, enterprise development, skills accumulation, diversification, and strategic control deepen, externally generated opportunities can contribute to more durable structural transformation. Where these processes remain weak, development gains remain vulnerable to changes in external markets, investment decisions, trade policy arrangements, and global production structures.

The analytical significance of contingent development therefore lies in the relationship between economic gains and their capacity for reproduction. Lesotho demonstrates that export success and structural vulnerability can coexist. The central question is not whether trade preferences generate development, but whether the development they generate becomes sufficiently embedded in domestic productive capabilities to withstand changes in the external environment.

The framework can therefore be expressed through two possible trajectories. The first involves movement from trade preferences to export growth, global value chain participation, domestic capability accumulation, and ultimately structural transformation. The second involves movement from trade preferences to export growth and global value chain participation without sufficient capability accumulation, resulting in contingent development and continued external vulnerability. The Lesotho evidence is more consistent with the second trajectory: development gains are visible, but the capability base required to reproduce those gains independently remains incomplete.

Synthesis Against the Conceptual Propositions

The evidence supports the three propositions, but with an important qualification: the study identifies a pattern of contingent development rather than a universal causal law. First, export expansion was accompanied by employment and production capacity, but the evidence of deep technological learning, domestic supplier development, and strategic upgrading remains limited. This supports Proposition 1 by showing that export growth alone is insufficient for durable structural transformation.

Second, the sector's exposure to United States market access, foreign investment, imported inputs, and international buyers supports Proposition 2. The 2025 interruption and 2026 short-term reauthorisation of AGOA provide a concrete illustration of how changes in external policy conditions can transmit quickly into domestic production and employment. Third, the concentration of ownership, inputs, exports, and strategic functions outside Lesotho supports Proposition 3 by demonstrating that vulnerability increases where critical elements of the production system remain externally controlled. Taken together, these findings indicate that Lesotho

achieved meaningful industrial development, but that the reproduction of those gains remains externally conditioned.

CONCLUSION

This article has examined the relationship between preferential market access and structural transformation through Lesotho's experience under AGOA. The evidence demonstrates that AGOA generated substantial and genuine development gains. The apparel sector created formal employment, generated export earnings, attracted investment, and integrated Lesotho into global production networks. These achievements represent meaningful forms of economic development and should not be dismissed as merely dependent or enclave activity.

The central finding, however, is that these gains have not been converted sufficiently into durable domestic productive capabilities. Technological upgrading remains limited, domestic linkages are weak, strategic functions remain substantially external, and the sector remains vulnerable to changes in external markets and trade policy arrangements. The disruption surrounding AGOA's expiry and subsequent short-term renewal illustrates this vulnerability particularly clearly. The issue is therefore not whether AGOA produced development, but whether the development it produced has become sufficiently embedded in the domestic economy to sustain transformation when external conditions change.

The article proposes the concept of contingent development to capture this condition. Unlike approaches that focus primarily on dependency, enclave production, or firms' positions within global value chains, contingent development directs attention to the durability and conditions of reproduction of development gains. It explains how an economy can experience meaningful export-led industrial growth while remaining structurally vulnerable because domestic capability accumulation has not kept pace with external integration.

The policy implication is that trade preferences should be treated as instruments for capability accumulation rather than as ends in themselves. Lesotho's challenge is therefore not to retreat from global markets but to deepen the domestic foundations of its participation through technological upgrading, stronger local and regional linkages, skills development, enterprise development, diversification, and strategic industrial policy. The broader lesson extends beyond Lesotho. Preferential access can create conditions conducive to industrialisation, but durable structural transformation depends on the capacity of domestic institutions, firms, workers, and policy systems to convert externally generated opportunities into enduring productive capabilities.

Policy Implications

In the immediate term, policy should prioritise stabilisation of employment and production in the garment sector. The short-term renewal of AGOA provides an opportunity to maintain existing productive capacity while developing measures that reduce the social consequences of future trade disruptions. Particular attention should be given to protecting workers whose livelihoods are directly exposed to fluctuations in external market access.

Over the medium term, policy should concentrate on developing productive capabilities. This necessitates reinforcing local supplier networks, expanding technical and managerial skills, improving access to finance for domestic enterprises, encouraging regional sourcing, and supporting technological adaptation within existing firms. The AfCFTA provides a crucial institutional framework through which Lesotho can expand regional markets and develop regional value chains.

Over the longer term, industrial policy should encourage movement into higher-value activities, including design, product development, branding, technological development, and other knowledge-intensive functions. These measures would reinforce the domestic foundations of industrialisation and reduce the vulnerability associated with externally contingent development.

Future Research

Future research should test the contingent development framework comparatively across AGOA beneficiary countries, with particular attention to differences in industrial policy, institutional capacity, domestic ownership,

technological learning, and market diversification. Longitudinal research in Lesotho should also examine firm-level learning, supplier development, technological upgrading, domestic enterprise participation, and worker outcomes. Such research would provide stronger empirical foundations for assessing the conditions under which externally generated trade opportunities are converted into durable structural transformation.

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