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Textile and Apparel Industry in Sri Lanka: An Empirical Analysis in a Globalization Setting

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Textile and Apparel Industry in Sri Lanka:
An Empirical Analysis in a Globalization Setting[1]

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Abstract

The paper identifies globalization as an increasing integration of economies around the world, through trade and financial flows and associated mobility of labour and technology. The objective of the study is to emphasise the negative impact of globalization on the Textile and Apparel (T & A) industry in Sri Lanka while acknowledging positive impacts and provide strategic options to survive the height of globalization after 2005 - quota free era.

The paper acknowledges the dependence of the industry on trade flows instigated by globalization, through the identification of 53 percent dominance of T & A exports in total export revenue in 2002. Capital flows and technological transfers provide another link between the said industry and globalization.

Statistical analysis of a 25 year period reveals a high import dependency for inputs, which hinders the development of a domestic production base for such inputs and its associated economic and human development possibilities. Situational analysis and case studies disclose changes in working conditions, wages and labour regulations originated by competition among producing countries to become a 'low cost production destination'. Empirical analysis of qualitative indicators replicates the impacts of transforming apparel trading into a 'buyers' market' and 'trading blocs'.

The analysis gives an insight to the increasing dominance of China in world T&A trading. Further, the paper evaluates the future sustainability of Sri Lanka's T&A industry, based on Sri Lanka's performance since the third phase of the Multi Fibre Agreement (MFA) and in the liberalized EU market. Relentlessness anticipated in 'post Multi-Fibre Agreement' era could be minimized by effective use of globalization. Survival strategies identified by

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the paper includes; stressing better working conditions through buyers' market model and establishment of trading blocs for secured markets.

1. Introduction.

Globalization is a complex process identified as the increasing integration of economies around the world through trade and financial flows and, transfer of technology. Among many industries influenced by globalization Textile and Apparel Industry (T&A) stands out.

In Sri Lanka, T&A industry is the leading industrial sub-sector accounting for 67 per cent of total export earnings. The importance of the industry emerged subsequent to export orientation of the local economy with the introduction of open economic policies in 1977. The industry's contribution to economic and human development has been significant over the years. Presently, synonymous with the T&A industry is the challenges of a post quota era.

The paper attempts to emphasize the negative implications of globalization of the T&A industry in Sri Lanka and its effects on the local economy and society and, provide strategic options to survive the height of globalization after 2005. The methodology used is primarily empirical research integrated with qualitative and quantitative secondary data.

2. World T&A Industry

The world T&A industry accounting for trade flows worth of US $ 353 billion in 2002, was spread over 200 producing countries and employing over 23.6 million workers. Major players in world T&A trading in 2002 are depicted in Table 1. Sri Lanka's exports accounted for 0.69 per cent of total world trade.

Table 1: Major T&A Traders in 2002

Textile Import & Export

Country	World Exports (%)
EU	34.3
China	13.5
USA	7

Country	World Imports (%)
EU	28.8
USA	10.6
China	8.1

Apparel Import & Export

Country	World Exports (%)
EU	25.1
China	20.6
Hong Kong	Not available

Country	World Imports (%)
EU	40.3
USA	31.7
Japan	8.4

Source: WTO

World T&A production has undergone three successive phases. In the initial phase Hong Kong, Singapore, Republic of Korea and Taiwan produced excellent results confined to their national borders in 1970s. During 1985-1990 said countries decreased production and invested profoundly in least cost countries such as Philippines, Indonesia, Thailand and Malaysia promoting the latter countries as leading T&A exporters. The second set of countries too followed suit to invest and redistribute[3] part of their production in another group of countries including Bangladesh, Pakistan, Sri Lanka, Laos, Nepal and Vietnam (ILO, 1996).

The global T&A industry is predominantly governed by the Multi Fibre Agreement (MFA) of 1974. The Agreement provides guidelines to member countries on T&A trading and negotiating bilateral agreements and, a mechanism of quantitative restrictions to manage trade. Subsequent to the formation of the World Trade Organization (WTO) in 1995, the MFA was replaced by the Agreement on Textile and Clothing (ATC), which translates the gradual elimination of quota restriction over a 10 year period in four stages. As such, by

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[3] Such trends in production and investment occurred mainly with the reduced speed and cost of both communication and transportation.

January 1, 2005 the T&A industry would be liberalized and governed by normal GATT rules to ensure unrestricted access to all WTO members to major T&A markets.

3. T&A Industry in Sri Lanka

Starting with 19 firms in 1973, by 2001 the T&A industry consisted of 830 firms and value of production of the sub-sector[4] as a percentage of total industrial production has increased from 10 per cent in 1977 to 44 per cent in 2002, while as a percentage of GDP the figure has reached 17 percent in 2002 from 2 per cent in 1977.

In 1986, T&A sector overtook the plantation exports and remained the main contributor in the growth of exports. During the past five years T&A accounted for over 50 percent of total export earnings and 5.3 percent of the GDP. The contribution by apparel and textiles separately to the total value of industrial exports in 2002 was 62 and 5 percent, respectively. In 2002, industry's exports were US $ 2,425.3 million, while the expenditure on imported inputs were US $ 1,429 million reflecting a high import dependency of the industry. In 2002, the main T&A export destinations of Sri Lanka were USA and EU, while Hong Kong, China Taiwan and South Korea were the major textile import origins.

Figure1: Share of T&A Export Values
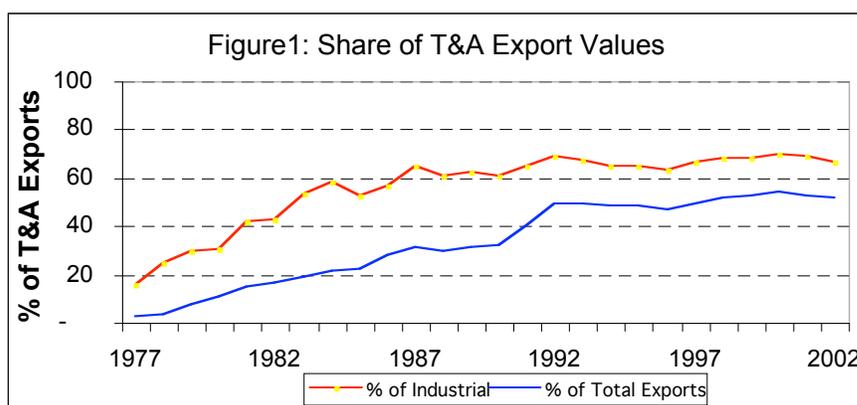
Source : CBSL

In 2001, the industry employed 338,704 direct employees with a female majority of over 80 per cent.

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[4] Textile, wearing apparel and leather products.

Table 2: Classification of Enterprise

Classification	Firms	Number of Employees	Percentage of Employees
Small (1-100 employees)	157	10,501	3.1
Medium (101-500 employees)	438	118,679	35.0
Large (over 501 employees)	235	209,524	61.9
Total	830	338,704	100.0

Source: SL Garments, Issue 80.

In 2002, out of total investment[5] (accumulated) in the sub-sector 63.6 per cent was fulfilled by foreign investment. Presently, the technology used in T&A industry is primarily transferred as part of foreign investment.

4. Implications of Globalization of the T&A Industry in Sri Lanka

4.1 Exports

Globalization of the T&A industry has enabled consumers to source their T&A preference beyond their national boundaries to benefit from cost and price differentials. In this context, Sri Lanka has increased T&A production to benefit from a wider market to supply its products, and the associated increase in export earnings have benefited the trade account of Sri Lanka.

However, 'Sri Lanka's apparel exports are heavily concentrated in a few markets. In 2002, over 93 percent of apparel and textile products were exported to the US and EU markets.'[6] In 2002, 'demand for exports was affected by slow recovery in Sri Lanka's major export markets, i.e., USA and the Euro area'[7], reflecting the demerits of high concentration of trade with a few destinations. In the US economy, Sri Lanka holds the 17th position among all exporting countries.

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[5] In BOI enterprises only. BOI is an agency established under government legislature for promotion and facilitation of investment
[6] CBSL, 2002. pp105
[7] Annual Report, 2002. CBSL. Pp37.

Figure 2: Sri Lanka's Apparel Export Destinations 2002

USA 63%
UK 20%
Germany 3%
Other 12%
Canada 2%

Source: CBSL

Figure 3: US Import of Apparel MFA, Top 20 Countries, 2002 (Million Sq.Metres)
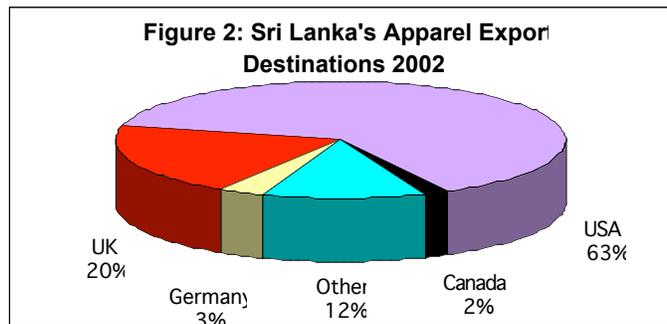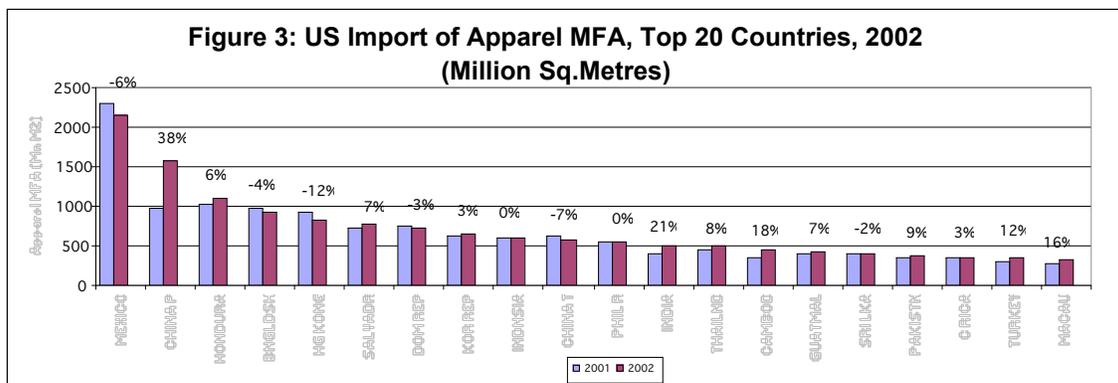
Note: Figures on top of the bars indicate the rate of growth
Source: SOE, 2003

4.2   Imports

On average textile import expenditure accounted for over 50 per cent of T&A export income and a fifth of total imports since 1990 (See Figure 4 and Appendix 2). Due to the industry's high import dependency for inputs, increase in production volume is associated with increase in import expenditure. 'It is estimated that imported fabrics account for nearly 85-90 percent of the fabric used by exports. Further, accessories such as buttons, zips, labels and packing material are mainly imported'[8]. In this context, net foreign exchange earnings of the industry are estimated at only 30 per cent of export value. However, importation of material inputs has contributed towards international competitiveness of Sri Lanka's products in quality. The positive impact of exports on the trade balance is challenged by negative impacts of imports. The depreciating exchange

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[8] CBSL Annual Report , 2002. Box11 pp105.

rate pattern of the local currency (see Appendix 3) in the context of the price taker trait of Sri Lanka (both for export of finished goods and imports of inputs) due to elasticities of apparel exports and textile imports, has further impact on the trade balance.

Figure 4: Expenditure on Cotton Yarn and Textile Imports
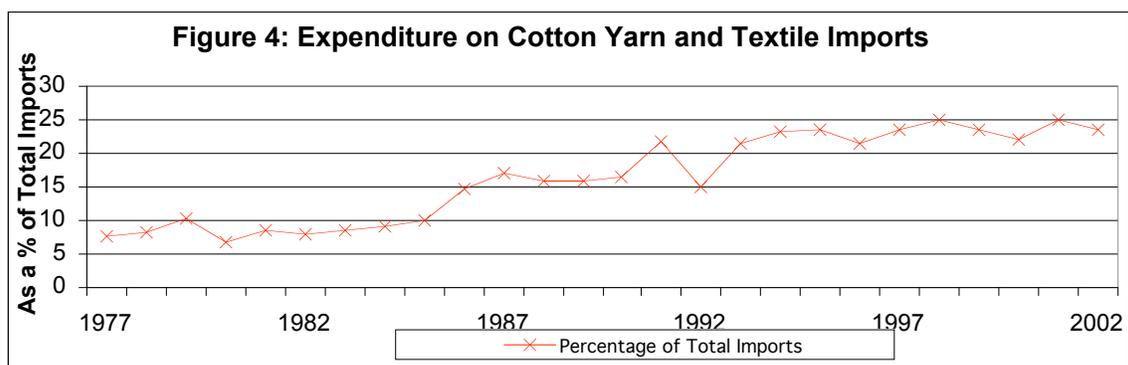
Source: CBSL

4.3 Tariffs

The removal of an impediment to import through elimination of duty on textile imports in 1998 has contributed to the import dependency. Simultaneously, it has also mitigated the development of backward linkage industries as discussed later.

Table 3: Textile Import Duty Rates (%)

Year	Cotton fibre	Cotton yarn	Fabric	Garments
1984 (Nov)	0	5	45	45
1987 (Dec)	5	25 (or Rs. 25/kg)	60 (or Rs. 15/sq.m)	60 (or Rs. 15/sq.m)
1989 (Mar)	10	25 (or Rs. 25/kg)	60 (or Rs. 15/sq.m)	60 (or Rs. 15/sq.m)
1991 (Nov)	0	20	35	35
1993 (Apr)	10	25	100	100
1993 (Nov)	3	25	50 (or Rs. 10/sq.m)	50 (or Rs. 10/sq.m)
1995 (Feb)	0	10	35	35
1998 *-2002	Free	Free	Free	10

* Import duty on textile was eliminated in 1998.

Source: SOE, 2003.

4.4   Backward Linkages

Import dependency and high cost of investment needed[9], have lessened the development of backward linkages for the industry. Given the level of significance of the T&A industry,

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[9] as identified by the Five Year Strategy for the Sri Lankan Apparel Industry.

had there been adequately developed backward linkages, the import expenditure, GDP of the country and human and economic development would have affected positively. The lack of diversification of Sri Lanka's T&A industry from value addition of labour to other aspects such as technological development and process development, etc. is mainly attributed to the least developed state of backward linkages. 'The turn around time in Sri Lanka is estimated to be 90 days in the case of for US market, compared with 30 days in Mexico'[10]. The time lag associated with import of inputs further aggravates this issue of lead times.

4.5   Investment & Infrastructure.

During the last 10 years, foreign investment inflows to T&A industry in Sri Lanka has averaged over 75 per cent of total investment and has been a catalyst in the development of the T&A industry, by redressing the scarcity of national capital to expand the industry in scale and capacity. The share of foreign investment in the sub-sector out of its total investments has experienced a decline in recent years (See Table 4). This trend could be attributed to declining competitiveness of Sri Lanka in attracting foreign investment relative to other low cost production countries. The result is widening disparity among large producers, such as China and small producers as Sri Lanka and further pressure on Sri Lanka's competitiveness. The trend also reflects a degree of national capital formation.

Table 4: Realized* Investment in BOI Enterprises of T&A Sub-sector** 1992-2002 (US$ mn)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Foreign Investment	100.57	121.01	234.44	215.88	223.46	261.99	260.34	259.23	270.04	246.25	265.89
Total Investment	110.36	140.39	256.50	250.16	272.20	370.26	387.36	406.72	406.18	367.30	417.86
% Share of Foreign of Investment	91.13	86.20	91.40	86.30	82.09	70.76	67.21	63.74	66.48	67.04	63.63

* Cumulative values as at end of year.
**Textile, wearing apparel and leather production sub-sector

Source: CBSL

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[10] CBSL 2002, pp104

Foreign capital inflows in the form of foreign currency has controlled the downward pressure on the exchange rate to an extent and also supported the financial account of the capital account. Further, State efforts to attract foreign investment have resulted in the development of infrastructure facilities in terms of transportation and industrial parks.

Similar to foreign capital inflow to Sri Lanka, under conducive investment environment, globalization also poses the threat of local capital out-flow for investment in overseas T&A industries such as Maldives and Madagascar. However, one could expect at least a part of such revenue to be remitted back to Sri Lanka.

4.6   MNCs

Multi National Corporations (MNC) introduced to Sri Lanka's T&A industry through globalization has supported the industry immensely. However, their objectives including maximization of return on investment and remitting profits back to home countries reflect a degree of low commitment and responsibility towards Sri Lanka. Low level of investment in backward linkage industries in Sri Lanka reflects this attitude of foreign investment. Further, MNCs often advocate management practices and policies in foreign soils, irrespective of domestic context, give less priority to negative externalities such as on employees and environment due to considering profits before people. Many factories in the industry have resulted in water and air pollution in their surroundings. The dominance of MNCs in the industry exhibits a degree of corporate power, which threatens the small and medium industrialists in attracting credit and buyers etc.

4.7   Employment

Synonymous with increase in production and capacity is the increase in employment opportunities within the industry. In 2002, foreign investment in the industry resulted in creating 15,920 employment opportunities. Increased household income due to employment in the industry has contributed to improve standard of living and livelihood of many. Increased calorie intake, improvement in school enrolment rates and decrease of drop out rates together with increased per capita income has uplifted the level of human and economic development of the economy.

However, unequal distribution of factories in urban areas (See Figure 5) has, resulted in a noteworthy trend of rural-urban migration and its own socio-economic, cultural and

environment implications in addition to disparity in levels of income (See Table 5 and Appendix 4).

Figure 5: Distribution of Apparel Factories

Rural, 27.40%

Urban, 72.60%
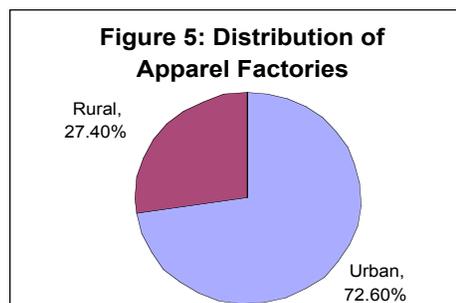
Note: Urban includes 4 main urban production districts of the industry
Source: compiled using Sri Lanka Garments data.

Table 5: Salary of a Worker by Location (Values in US $ /month)

Occupation	Industrial Zone	Suburb	Difference %
Skilled	53	42	26
Senior Manager	388	288	35

Source: UNIDO Survey, 2000

Working conditions, occupational health and safety practices were often neglected and, exploitation of labour takes place in the industry[11]. Despite unfavourable conditions the workers of the industry in Sri Lanka were often compelled to undergo the hardship as they were prevented from organizing to articulate their grievances. Amidst the legal existence of freedom of association, right to organize and collectively bargain, T&A industry workers were often unable to bargain or negotiate wages through unions, as 'the terms and conditions of employment were prescribed by the BOI[12] with the intention to discourage workers from making collective demands and comparing themselves with other employees within the zone. [13]. The underlying objective of this was to compete with low cost production destinations.

4.8   Technology
Globalization has blessed the T&A industry in Sri Lanka with technological advancements. Such transferred technology has contributed to decrease production time and costs, improve product quality and related training and skills development of employees, with a

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[11] Dent, Kelly. 2001. Report on the Conditions for Garment Factory Workers in Sri Lanka. TIE- Asia
[12] BOI is an agency for promotion and facilitation of investment established under government legislature.
[13] Amerasinghe, Franklyn. Labour and Employment 1948-1997. in Fifty Years of Sri Lanka's Independence A Socio Economic Review. (Ed) Indraratna, A.D.V. de S. 1998. SLISES pp497

human development bearing. However, Supply Chain Management (SCM) technologies and Enterprise Resource Planning (EPR), techniques are some identified technologies need to be acquired by the industry[14].

4.9   Trading Blocs

Growing influence of globalization on the T&A industry has resulted in forming many trading blocs such as NAFTA, which initially elevated Mexico as a leading apparel supplier to USA. 'For the period 1991-2000, the value of textile export from Mexico to the US has increased by 12 times.'[15] Market distortions[16] and trade diversion[17] occurring due to such preference for selected countries challenge the competitiveness of Sri Lanka's products in US, while raising the question; does a level playing field exist for our products? However, advantages of trading agreements have diminished lately and partner countries have not been successful in maintaining their dominance in major markets, under the increasing number of trading agreements and liberalization of markets which negates the advantage of an agreement.

5. Future of the T&A Industry

In the emerging quota free era, where competition would govern exports instead of guaranteed markets, the T&A industry in Sri Lanka would face many threats and opportunities.

Presently, Sri Lanka has a considerable quota dependency in the US market. During 1998-2002 an average of 76 per cent of exports to USA has been under quota and in 2002, this increased by 17 percent compared to 2001, despite the decline in total exports to USA. During 1998-2002 Sri Lanka's quota dependency in EU was relatively lower than in USA. However, a significant drop in exports to EU was evident after the quota elimination in 2000.

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[14] State of the Economy. 2003 (IPS)
[15] K.F. Au and N.Y Chan. The World Textile and Clothing Trade : Globalization versus Regionalization
[16] Market distortion is the absence of optimal allocation of resources.
[17] A simple example of trade diversion is when a country buys from higher cost exporter, due to existence of a tariff on lower cost exporter's products.

Table 6: 1998-2002 Export Values in US $ Mn

	1998	1999	2000	2001	2002
USA Quota	1,145	1,048	1,265	1,155	1,089
USA Total	1,460	1,448	1,775	1,603	1,256
% of Quota Exports to US	**78 %**	**72 %**	**71 %**	**72 %**	**87 %**
EC Quota	194	196	206	0	0
EC Total	650	1,364	1,119	813	801
% of Quota Exports to EU	**30 %**	**14 %**	**18 %**	0	0

Source: TQB

Subsequent to the third phase of MFA, in 2002 out of five important categories liberalized, only Dresses and Gowns[18] and Bras [19]experienced a growth in exports, where as Baby Garments[20], Flat Goods etc[21] and Dress Gown & Robes [22]experienced a decline. This could be considered as a signal of potential weak performance of Sri Lanka in the absence of restrictions after 2005. Issues pertaining to least developed state of backward linkage industries and lead-times pose more a threat to the local industry in future.

Chinese dominance in the industry is expected to multiply after 2005, with China's quota free access to markets in USA, EU and Canada. For instance, US export orders worth US $ 42[23] billion is projected to shift to China from other countries, while Sri Lanka's loss to China in the US market is projected at US $ 791[24] million. China's undervalued currency and government subsidies to the industry[25] intensify the threat. Studies[26] reveal that by 2005-06 major T&A buyers will reduce by half the number of countries they source from and by another third by 2010, which reflects the issue of critical mass[27]. On the contrary, one may argue that buyers would prefer to spread their risk by sourcing from different nations.

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[18] Category 350
[19] Category 649
[20] Categories 239
[21] Category 670
[22] Category 650
[23] The China Threat to World Textile and Apparel Trade. ATMI
[24]ibid
[25] ibid
[26] US Department of Commerce.
[27] The issue of major international buyers becoming reluctant to source from countries with only a few companies serving the world market.

However, anti-dumpling legislature and safeguards are mechanisms which would remain for importing countries such as USA to restrict imports from exports such as China, after 2005. For instance, USA has the option of imposing quota for Chinese products till 2008 [28]. Presently, there are 105[29] anti dumping measures taken for T&A trade, while studies reveal that EU and US are resorting to leveling charges of dumping, however unfounded, against Third World exporters of T&A in order to protect their domestic industry[30].

In this context, a major threat in the post quota era would be the impact on export revenue to Sri Lanka. Concerning this issue of performance in the post quota era, two schools of thought are predominant (Kelegama, 2004). One school of thought argues that the apparel exports from Sri Lanka has undergone expansion for years and as per World Bank statistics, the world apparel export statistics is expected to rise to US $ 350 billion in 2005[31]. Here the optimistic view depicts that, given the favourable scenario in the world front, the 12 per cent of the factories in Sri Lanka, which account for72 per cent of apparel exports would be able to perform substantially, as they have developed strong market contacts and have evolved into well established firms in the apparel industry. The successful performance of these firms in non-quota markets at present further strengthens this argument.

The pessimistic view of the other school of thought is that, despite the projected growth of the world apparel industry, the local apparel industry is not competitive enough to gain from the expanding world apparel market and the inadequacy of investment made towards backward integration, forward integration and market consolidation efforts would further weaken Sri Lanka's ability to fight competitors such as China and India. The American Textile Manufacturers Institute predicts in a statement[32] that 'After January 1, 2005, US imports of textiles and apparels will be dominated by China, with Vietnam, India, Pakistan plus some of those countries which enjoy preferential access to USA playing secondary roles. Any country not included in the previous sentence is simply out of the game, its textile and apparel exports to the US will be a thing of the past.' Subsequent

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[28] China's WTO accession agreement includes this extension of quota restrictions if market disruption or threat of market disruption occurs.
[29] For the period from January 1, 1995-June 30, 2003.
[30] Chakravarthi Raghavan (2003) Abuse of anti-dumping instrument in textiles and clothing sector by EC, US. Third World Network (www.twinside.org.sg)
[31] In 2002, world apparel exports was US $ 201 billion.
[32] Dated January 22, 2003)

studies have mellowed the severity of the statement with findings depicting that it is likely for Sri Lanka's share in US apparel market to fall, while remaining a niche supplier of certain categories.

The Five Year Strategy of the Apparel Industry forecasts a growth of 12 per cent for the 2003-2008 period. This is 6 per cent lower than the growth rate recorded during the past two decades. Such projections could be further, reinforced with the disadvantages of the local apparel industry such as a low development of the backward linkage industries, heavy import dependency of the industry for inputs, high level of dependence on few markets such as USA and EU and the low level of diversification of the industry. In this setting, a shrinkage of the apparel industry after 2005 appears to be inevitable. The consequences of such shrinkage of the industry would include closure of small scale factories and decline in employment. A study[33] indicates that 40 per cent of firms in Sri Lanka may go out of production and in the short run unemployment would take place, as such firms would be compelled to retrench workers. However, in the long run, surviving firms would be in a position to expand their production and absorb a share of the laid off workers.

Another issue in the post quota era would be the emergence of a buyer's market model, where buyers would be in a better position to dominate the market by exerting downward pressure on price and insist on compliances and standards, exerting an upward pressure on cost. For instance, Worldwide Responsible Apparel Production (WRAP) focuses on socially responsible business practices to ensure apparel products being manufactured under humane, legal and ethical conditions. SA – 8,000 (Social Accountability) Standard, considers welfare of the worker as a responsibility of the employee. In the context of a buyers' market model, Sri Lanka has already gained recognition from the EU market for the good labour standards maintained in production, under the Generalized System of Preferences (GSP) Scheme[34]. However, in a situation of unrestricted exports from all apparel producers including India and China, the effective benefit of the GSP concessions to Sri Lanka is debatable.

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[33] ibid

[34] Sri Lanka's apparel exports enter the EU market with a 40 per cent tariff reduction off the Combined Custom Tariff (CCT) rate of the EU. The 40 per cent constitutes of 20 per cent under the general arrangement and 20 per cent under the Labour Incentive.

6. Conclusion and Strategic Options

The globalization process has contributed to the Sri Lankan socio-economy substantially through the development of the T&A industry. The T&S industry accounts for a significant share in the economy through export revenue and production levels and to the society in terms of a large workforce both in the formal and the informal economy, which provides a livelihood for many. The merits of the globalization process has brought the T&A industry to the forefront in the Sri Lankan economy with high export levels, easy access to imported inputs, capital inflows, availability of foreign technology and the entry of MNCs to the local T&A sector. However, the demerits of the globalization process has created a unhealthy import dependency in the T&A industry, a low level of development of a backward linkage industries and a decline in capital inflow to the local apparel industry to the advantage of other producing countries. Further, negative implications of entry of MNCs to a developing country economy and the absence of a level playing field in the context of growing trading blocks are inevitable realities of globalization.

In order to maximize the positive implications and minimize the adverse implications of the globalization process on the T&A industry in Sri Lanka, certain strategic options have to be pursued. Identified strategic objectives include transforming the local industry into a 'fully integrated service provider', focus on niche markets, acquire international recognition as a superior manufacturer of specific products, consolidate and strengthen the industry[35].

Further, in the face of challenges posed by low cost production bases, Sri Lanka could learn from the experience of countries of the first wave of T&A production, where Korea and Taiwan in particular, developed design and marketing capacity, while setting up garment factories elsewhere. (CAFOD, 1998) Similarly, large scale manufacturers in the country could focus on marketing and product development, while small scale factories could be used as subcontractors in production.

Adverse impact on employees, environment and consumers could be dealt with by standard and compliance necessities originating from a buyers market, expected to emerge after the end of MFA. Domestically the industry should develop standards and compliances unique to the country, which covers the gaps in international standards.

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[35] Sri Lanka's Apparel Industry. Five Year Strategy.

The geographical disadvantage due to the distance to export markets and input sourcing countries could be minimized with increased use of e-applications in both forward and backward integration, which could contribute to reducing lead times. Sourcing arrangements within the region through SAFTA[36] too could contribute to this effort.

Establishment of trading blocs with leading and emerging apparel markets is vital to face issues of either critical mass or risk spreading in future. Present effort of Sri Lanka to finalize a Free Trade Agreement with USA implies the recognition of the importance of such trading links for future survival. However, recent decline in Mexico's exports to USA despite the NAFTA, implies that existence of a FTA does not guarantee a market share. Alternatively, linking Sri Lanka with China for a `feasible' aspect of the industry or to supply the Chinese market would be another lucrative possibility in terms of proverbial thinking 'join them if you can't beat them'. On the other hand, in addressing the threat from China, together with other countries Sri Lanka could lobby for imposition of China safeguards, to postpone the possible threat, and to end currency manipulation by China.

In this context, globalization could be identified as a double edged sword, simultaneously threatening and supporting the T&A industry in Sri Lanka, with its wide spread effects on economy and society. However, given the structure of Sri Lanka's industry, threats of globalization beyond 2005 appear frightening. Thus the actual performance of Sri Lanka under competition remains an important area for research in a liberalized T&A trading era.

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[36] South Asian Free Trade Agreement

Appendix 1 : Share of T&A Exports Values in US $ Mn.

Year	T&AI Exports	Total Industrial Exports	T&AI Exports % of Industrial	Total Exports	T&A Exports % of Total Exports
1988	432.9	712.9	60.7	1,475.4	29.3
1989	489.1	789.8	61.9	1,558.4	31.4
1990	628.1	1,036.1	60.6	1,983.9	31.7
1991	803.9	1,237.3	65.0	1,987.5	40.5
1992	1,214.0	1,763.2	68.9	2,460.8	49.3
1993	1,412.4	2,102.3	67.2	2,863.7	49.3
1994	1,551.9	2,398.9	64.7	3,208.6	48.4
1995	1,852.5	2,870.0	64.5	3,806.6	48.7
1996	1,905.9	3,013.2	63.3	4,103.4	46.4
1997	2,279.1	3,443.0	66.2	4,647.8	49.0
1998	2,466.3	3,615.1	68.2	4,805.5	51.3
1999	2,430.2	3,558.8	68.3	4,619.4	52.6
2000	2,994.7	4,301.2	69.6	5,544.1	54.0
2001	2,544.2	3,711.7	68.5	4,816.0	52.8
2002	2,425.3	3,634.0	66.7	4,702.2	51.6

Source : CBSL

Appendix 1A: Share of T&A Exports Values in Rs Mn.

	Textile and Apparel	Total Industrial	% of Industrial	Total Exports	% of Total Exports
1977	143	914	16	6,638	2
1978	481	1,944	25	13,206	4
1979	1,108	3,737	30	15,279	7
1980	1,814	5,954	30	17,595	10
1981	3,021	7,296	41	21,043	14
1982	3,502	8,271	42	21,454	16
1983	4,666	8,821	53	25,096	19
1984	7,535	13,738	58	37,347	21
1985	7,960	15,159	53	36,207	22
1986	9,629	17,060	56	34,072	28
1987	12,897	20,004	64	41,133	31
1988	13,770	22,674	61	46,928	29
1989	17,631	28,470	62	56,175	31
1990	25,163	41,510	61	79,481	32
1991	33,261	51,188	65	82,225	40
1992	53,209	77,281	69	107,855	49
1993	68,150	101,437	67	138,175	49
1994	76,685	118,544	65	158,554	48
1995	94,946	147,094	65	195,092	49
1996	105,341	166,543	63	226,801	46
1997	134,455	203,114	66	274,193	49
1998	159,303	233,508	68	310,398	51
1999	171,068	250,515	68	325,171	53
2000	226,930	325,931	70	420,114	54
2001	227,,359	331,686	69	430,372	53
2002	232,027	347,657	67	449,850	52

Source : CBSL

Appendix 2: Import Expenditure in US $ Mn

Year	Expenditure on Cotton Yarn & Textile Imports	Total Import	Percentage of Total Imports
1988	355.6	2,233.2	15.9
1989	354.8	2,225.6	15.9
1990	441.8	2,689.0	16.4
1991	664.4	3,061.1	21.7
1992	523.2	3,503.4	14.9
1993	865.1	4,011.3	21.6
1994	1,110.3	4,767.3	23.3
1995	1,244.3	5,311.1	23.4
1996	1,173.0	5,447.2	21.5
1997	1,386.5	5,865.5	23.6
1998	1,477.6	5,885.1	25.1
1999	1,418.6	5,993.4	23.7
2000	1,605.5	7,314.7	21.9
2001	1,484.5	5,964.0	24.9
2002	1,429.0	6,109.6	23.4

Source : CBSL

Appendix 2A : Import Expenditure in Rs Mn

Year	Expenditure on Cotton Yarn & Textile Imports	Total Import	Percentage of Total Imports
1977	459	6,007	7.6
1978	1,217	14,687	8.3
1979	2,323	22,541	10.3
1980	2,308	33,942	6.8
1981	3,159	36,582	8.6
1982	3,311	41,946	7.9
1983	3,933	45,558	8.6
1984	4,404	47,541	9.3
1985	5,354	54,049	9.9
1986	8,082	54,559	14.8
1987	10,278	60,528	17.0
1988	11,311	71,030	15.9
1989	12,788	80,225	15.9
1990	17,701	107,729	16.4
1991	27,486	126,643	21.7
1992	22,934	153,555	14.9
1993	41,740	193,550	21.6
1994	54,864	235,576	23.3
1995	63,773	272,200	23.4
1996	64,836	301,075	21.5
1997	81,795	346,026	23.6
1998	95,445	380,138	25.1
1999	99,857	421,888	23.7
2000	121,659	554,290	21.9
2001	132,662	532,964	24.9
2002	136,705	584,491	23.4

Source : CBSL

Appendix 3: Annual Average Exchange Rates 1988-2002

Year	Rs Per US $
1988	31.81
1989	36.05
1990	40.06
1991	41.37
1992	43.83
1993	48.25
1994	49.42
1995	51.25
1996	55.27
1997	58.99
1998	64.59
1999	70.39
2000	75.78
2001	89.36
2002	95.67

Source :CBSL

Appendix 4: Salary of Worker by Skill and Location (US $./Month)

	Colombo	Industrial Zone	Outstation	Suburb
Unskilled	33	39	34	33
Skilled	44	53	44	42
Technicians	97	94	77	70
Supervisors	88	95	75	83
Middle Managers	187	146	119	153
Senior Manager	432	388	263	288

Note : Converted to US $ with 2000 average annual exchange rate

Source: UNIDO Survey, 2000

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