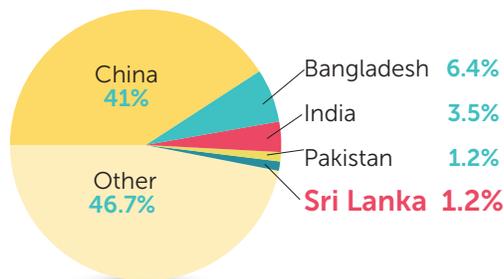


Sri Lanka



Market share:

Sri Lanka ranks third in terms of apparel export value (\$4.4 billion) and global market share (see chart), although apparel has a relatively high share of total country exports at 45 percent.



Similar to Bangladesh, foreign direct investment (FDI) played a central role in initiating the industry in Sri Lanka, but today the industry is dominated by joint ventures and domestically owned firms. Sri Lanka is considered a "stable supplier" (like India) – rather than a "growth supplier" (like Bangladesh and Pakistan) – in that it has increased export value but its global market share is stable or declining, and growth rates are lower than the world average.

Current Status

Product diversity:



Sri Lanka's export profile differs from that of other South Asian countries because the country is a source of more niche and fashion-oriented items rather than volume products, including:

- intimate apparel
- trousers
- swimwear

Plus, exports are equally divided between cotton and manmade fiber products.

Working conditions:



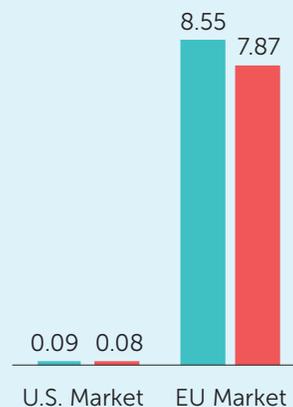
Wages and working conditions are generally better than in the other South Asian countries.



Job Potential



Link Between More Exports and Employment Demand (elasticity of jobs to prices)



How would Sri Lanka fare if Chinese prices/wages rose by 10 percent under current policies? Apparel employment would rise (thanks to higher labor demand and the anticipated increase in apparel exports) for both the U.S. and EU markets (see chart).

How would this affect women's participation in the labor force? As firms demand more labor, apparel wages are likely to increase.

A 1 percent increase in expected wages would raise the probability of women entering the labor force by 89.2 percent.

Top Policy Areas

Factors buyers care about (cost and non-cost): Production costs and quality have always been important and have become even more so given the stepped-up competition after the end of the Multifibre Arrangement (MFA) and the global economic crisis. *Stitches to Riches?* highlights the following findings: Sri Lanka's apparel prices are higher than competitors in all major product categories (driven at least partly by relatively high and rising labor costs). It also needs to improve on lead times and product range and availability. But it is viewed positively in other areas (notably compliance and political stability).

Sri Lanka could benefit from the following policies:

- **Diversify end markets and export destinations** for existing products (such as active wear and intimate apparel) by entering into more trade agreements and adopting clear investment policies to attract FDI.
- **Diversify by expanding into new products** such as formal wear and high-end outerwear that require higher levels of skill. Also position itself as a regional apparel and textile trade hub to take advantage of infrastructure and location.
- **Relieve labor shortages** by promoting industrial relocation (such as tapping into the more remote and war-torn areas in the North and East) and attracting more female workers.

