

AN ASSESSMENT OF NET BENEFITS OF APPAREL PRODUCTS
MANUFACTURE IN SRI LANKA FOR EXPORT

T.B. Karunaratne

Research Department, People's Bank

During the ten years from 1976 to 1985, Sri Lanka sustained an unprecedented growth in apparel production and exports and since 1982 apparel products export was the second largest earner of foreign exchange. The Industry progressed both within and outside the Katunayake Export Promotion Zone (KEPZ) almost in equal momentum. Tremendous capacity was established within and outside KEPZ and a substantial volume of foreign resources were spent on the import of machinery and equipment, and the employment in the industry grew rapidly providing employment for a large number of female labour.

In spite of this rapid progress it did not link sufficiently with the other domestic industrial and agricultural sectors and the textile industry supplied only an infinitesimal proportion of the major raw materials used in the apparel industry.

The objective of this study was to make an assessment of net benefits of Apparel products manufacture in Sri Lanka, for exports.

Analysis and comparison of institutional framework, capacity establishments and utilization, and costs involved had been carried out utilizing available official statistics. Import structure and costs of inputs, and the supply potential of domestic industries had also been evaluated.

The study revealed that the net benefits accrued by the apparel products industry had turned very small because a substantial volume of earnings from apparel products are re-routed out through imports of inputs and a structural situation had emerged which had checked the use of local inputs in the manufacture of apparel products for exports.