

Investment opportunities in Sri Lanka's Textile / Apparel sector.

The Government of Sri Lanka is currently in the process of establishing an industrial zone dedicated to textile manufacturing at Eravur in the Eastern Province at Batticaloa District.

The objective of establishing this Textile Zone / Fabric Park is to set up a raw material based for the apparel industry to ensure availability of raw material readily to increase the capacity to utilize the preferential facilities and improve competitiveness of the garment sector. The objective of this project is also to attract Foreign Direct Investment and to generate substantial employment .

Sri Lanka has a reputation for being a high quality apparel manufacturer with a solid international customer base. It also complies with international labour and good governance, has a skilled and trainable labour force and is in a position to afford competitive pricing, on time delivery and short run manufacture for premium brands.

It may interest you to note Sri Lanka's competitive and comparative advantages:

Sri Lankan manufacturers offers the highest compliance to supplier requirements and is considered an ethical sourcing destination.

Sri Lankan manufacturers produce a wide range of international branded clothing such as Victoria's Secret, Liz Claiborne, Pierre Cardin, Abercrombie and Fitch, Tommy Hilfiger, Gap, H & M, M & S, Nike, Speedo International, Calvin Klein, Calzedonia, Ralph Lauren, Decathlon etc. These companies are a mix of foreign or locally owned enterprises or joint ventures. Nearly 50% of textile /apparel companies operating in Sri Lanka are BOI approved ventures which account for almost 90% of Sri Lanka's total garment exports.

The Board of Investment of Sri Lanka (BOI) is the principal authority for approving, promoting and facilitating Foreign Direct Investment (FDI) in to Sri Lanka. It operates as an autonomous statutory body and is structured to function as a central facilitation point and one stop shop for investors. Sri Lanka's apparel industry is a major contributor to the country's economy after its modest beginning in the 1970's. The industry today represents 47% of the country's total exports.

Sri Lankan apparel industry has imported in 2019 a total of US\$ 2 Bn. of which US\$ 800 Mn, Knitted fabrics and US\$ 1200 Mn, Woven fabrics. Given the heavy dependence of the apparel industry on imported fabrics, the BOI has embarked on an intensive strategy to attract FDI in textile mills / accessories in close collaboration with the Joint Apparel Association Forum (JAAF) the main industry body that represents the entire sector and provide much needed backward integration.

For the proposed Textile Zone at Eravur, Batticaloa, an area of 250 acres has been allocated by the Government. The setting up of this Zone is to facilitate state - of - art, world renowned manufacturing plants, to reduce cost by imports while enhancing export earnings. Already more than 5 companies have indicated their interest to invest in Sri Lanka and given their commitment.

The BOI is empowered to grant special incentives and concessions for target sectors including duty free imports of capital goods and raw materials.

Given the ready availability of captive well established and thriving apparel industry in Sri Lanka, there is clearly an immense opportunity for fabric mills/ accessories in Sri Lanka as competition is limited.