

6.6 GSP Plus Scheme and the Industry Competitiveness: Future of Sri Lankan Garment Industry

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ABSTRACT

During the last two decades South Asian countries have been playing a dominant role in export oriented garment industry and experiencing an extra special expansion in creating employment opportunities and in earning foreign exchange. Availability of quotas for exports to the US and EU markets and low wages and ease of entry and exit to the markets of these countries for operating garment manufacturing are the foremost reasons that have caused rapid expansion of garment industry in the last two decades. The Sri Lankan garment industry is not exceptional in the case of playing a crucial role as a key driver of the national economy. The industry rapidly expanded with introducing the open economy policy and is still continuing as the strongest and dominant contributor to the GDP, exports, foreign earnings and employment creation.

Sri Lanka is presently a beneficiary country, out of the 15 countries, in the European Union's tariff references known as the "GSP Plus Programme" which so far created a massive advantages to the Sri Lankan garment industry. Under this programme except Mongolia, Sri Lanka is the only Asian country eligible to export sensitive products to EU at '0' rate duty.

However, the garment industry in Sri Lanka now is passing off its booming period on account of various reasons. With the "New GSP Plus" scheme applicable only for vulnerable countries with special development needs, Sri Lanka may not get benefits from it due to the current situation in the country. Therefore the garment industry of Sri Lanka will have to face a number of issues along with the industry's present recession after 31st of December 2008 which is date the new GSP scheme will be in force. Since the beneficiaries must meet a number of criteria including ratification and effective application of 27 key international conventions on sustainable development, core are human and labour rights, environment and good governance for obtaining the benefits from this new scheme. In this regard it is doubtful whether Sri Lanka can fulfill these requirements. Therefore, the industry has to address all these challenges and to find solid solutions in order to overcome the present situation.

This paper provide an investigation into the issues, threats and future challenges that the Sri Lankan garment industry faces and suggests some strategies for coping with new challenges.