

# INDUSTRY

## OVERALL PERFORMANCE

The industrial sector continued to expand in 1994 but with a moderation of its growth momentum. The value of industrial output, which grew by 14 per cent in real terms in 1993, expanded by a further 9 per cent in 1994. This growth came entirely from the private sector industries, which grew by 11 per cent. The public sector, which accounted for only a ninth of total industrial production, recorded a decline of 5 per cent.

In the private sector, the industrial sub-sectors that recorded large increases in production were: non-metallic mineral products; chemicals, petroleum, rubber and plastic products; wood and wood products; paper and paper products; fabricated metal products and food, beverages and tobacco. The reduced output of the public sector industries was largely due to a sharp decline in the output of the non-metallic mineral products category following the transfer of ownership of several industrial enterprises from the public to the private sector.

The output of export-oriented industries as a group, recorded a growth of 11 per cent in SDR terms in 1994. The value of industrial exports increased from Rs.100,420 million in 1993 to Rs.116,744 million in 1994.

## PRODUCTION

In real terms, the value of industrial output is estimated to have increased by 9 per cent in 1994. Industrial sub-sectors that recorded increases in production in 1994 were: basic metal products (33 per cent); wood and wood products (16 per cent); paper and paper products (14 per cent); fabricated metal products (14 per cent); non-metallic mineral products (13 per cent); manufactured products not elsewhere specified (13 per cent); chemicals, petroleum, rubber and plastic products (11 per cent); food, beverages and tobacco (8 per cent) and textile, wearing apparel and leather products (6 per cent).

## PRIVATE SECTOR INDUSTRIES

The value of production of private sector industries, which grew by 13 per cent in real terms in 1993, expanded by a further 11 per cent in 1994. This growth originated, to a large extent, from four product categories, viz. food, beverages and tobacco; textile, wearing apparel and leather; chemicals, petroleum, rubber and plastic products and non-metallic mineral products.

The output of the textile, wearing apparel and leather products sub-sector originated entirely from private sector industries. The output of this category expanded by 6 per cent in 1994 compared to a growth of 17 per cent in the previous year. The creation of excess capacities in the garment sector without a proper consideration of quota availability had an adverse impact on the efficiency and the profitability of the industry. Low prices fetched by the export oriented industries were largely responsible for the decline in growth momentum in the garment sector. Labour disputes that prevailed in certain major textile and garment enterprises also had a negative impact on the performance of the sector. Leather products recorded a significant increase in output during the year mainly due to the improved performance of the BOI enterprises engaged in the manufacture of these products.

The output of the food, beverages and tobacco category, which constituted nearly 26 per cent of the private sector industrial output, grew by 8 per cent in 1994. The increased output of private sector industries in this category largely reflected the improved production of dairy products, biscuits, confectionery, flour, processing of fruits and vegetables and meat products. In contrast, the

output of tobacco products, which is the highest contributor to the total output of the food, beverages and tobacco category, recorded a marginal decline in 1994 due to restricted production following a labour dispute as well as due to a fall in domestic demand. The production of poultry feed recorded a decline primarily due to labour unrest in the major manufacturing enterprise.

The output of private sector industries accounted for about half of the total output of the chemicals, petroleum, rubber and plastic products category in 1994. Increased output levels were recorded in private sector industries engaged in the manufacture of agro-chemicals, pharmaceuticals, rubber and plastic products, soap and toiletries. The export oriented BOI industries manufacturing industrial and surgical gloves and plastic products also recorded an improved performance in 1994.

Private sector industries that contributed about four-fifths of the total output of the non-metallic mineral products sub-sector, continued to expand in 1994. Increased output levels were recorded in private sector industries engaged in the manufacture of cement, glass and glass products and asbestos to satisfy the increased demand arising from the improved level of construction activities during the year. In contrast, ceramic products which reported a significant expansion in the previous year, declined in 1994 owing to labour unrest. The export-oriented BOI industries engaged in the manufacture of dolomite products, porcelain figurines and granite slabs, showed improved performance in output. Cutting and polishing of diamonds recorded only a marginal improvement due to slow growth in exports.

Private sector industries in the paper and paper product sub-sector recorded a growth of 16 per cent in output in 1994. This increase originated largely from industries engaged in printing and manufacturing of paper and paper products, labels and packing materials.

The output of the fabricated metal product sub-sector that recorded a poor performance in the previous year, showed a substantial improvement in 1994. Higher growth in output of fabricated metal products in 1994 originated largely from the improved performance of private sector industries manufacturing fabricated metal, electrical appliances, batteries, cables and bulbs. Increased output levels were also recorded in private sector industries engaged in the fabrication of coach work of buses and lorries.

The output of manufactured products not elsewhere specified recorded a substantial improvement in 1994 compared with moderate expansion in the previous year. This increase originated, to a large extent, in the industries engaged in the manufacture of coir fibre products, mattresses, fishing gear and nylon nets, brushes and jewellery.

## **PUBLIC SECTOR INDUSTRIES**

In real terms, the public sector industrial output declined by 5 per cent in 1994, in contrast to a 20 per cent increase in the previous year. This was mainly a result of a sharp decline in the output of non-metallic mineral products category following the transfer of ownership of cement and ceramic production units from the public sector to the private sector in December 1993. The Ceylon Petroleum Corporation (CPC), which accounted for about 78 per cent of total public sector industrial output, recorded a 4 per cent increase in 1994. When petroleum is excluded, public sector industrial output is estimated to have declined by 33 per cent.

The enterprises that recorded decreases in output were State Timber Corporation (13 per cent) and Lanka Phosphate Ltd. (11 per cent).

Under the Government's peoplistation programme, the ownership of Wayamba Agro-Fertilizer Co. Ltd., Ruhunu Agro-Fertilizer Co. Ltd., and Lanka Lubricants Ltd., was transferred from the public sector to the private sector during the year.

**TABLE 1.18**  
**Public Sector Major Industry Output Index 1992 - 1994**  
**(1977 = 100)**

Category	1992	1993	1994 (a)
1. Food, beverages and tobacco	13.4	8.1	9.3
2. Textile, wearing apparel and leather products	27.5	10.3	-
3. Wood and wood products (including furniture)	20.3	25.4	22.0
4. Paper and paper products	156.6	174.1	187.8
5. Chemicals, petroleum, rubber and plastic products	86.9	121.8	126.3
5.1 Petroleum products	91.8	129.4	134.2
6. Non-metallic mineral products (except petroleum)	143.4	120.0	5.5
7. Basic metal products	125.7	92.4	130.8
All categories	73.3	87.9	83.8
Excluding petroleum products	52.7	41.7	27.7

(a) Provisional.

*Source:* Central Bank of Sri Lanka.

The output of the State Timber Corporation declined due to an insufficient supply of timber which resulted from a reduced level of felling operations. A drop in sales in the domestic market led to a reduced level of output of Lanka Phosphate Ltd..

Public sector industrial enterprises that recorded production increases during the year were: Ceylon Steel Corporation Ltd. (42 per cent), Lanka Salt Ltd. (15 per cent), Sevanagala Sugar Industries Co. Ltd. (15 per cent), National Paper Co. Ltd. (15 per cent), Sri Lanka Rubber Manufacturing Co. Ltd. (5 per cent) and Ceylon Petroleum Corporation (4 per cent).

Adequate supplies of raw materials resulted in an increase in the output of the Ceylon Steel Corporation Ltd.. The rise in production of the Sevanagala Sugar Industries Co. Ltd., was mainly a result of increased availability of sugar cane during the year. Dry weather conditions that prevailed during the harvesting period resulted in an increase in the output of Lanka Salt Ltd. in 1994. The higher level of capacity utilization at the Valachchenai mill following increased demand for paper products was the major reason for the increase in output of the National Paper Co. Ltd. in 1994.

In terms of the sectoral classification of public enterprises, the basic metal products sector recorded the highest growth rate (42 per cent). The other sectors that recorded increased levels of output were: food, beverages and tobacco (15 per cent); paper and paper products (8 per cent) and chemicals, petroleum, rubber and plastic products (4 per cent). The sectors that recorded decreases in output were non-metallic mineral products (95 per cent) and wood and wood products (13 per cent).

#### **VALUE OF PRODUCTION IN CURRENT TERMS**

The value of overall industrial production, in current terms, is estimated to have increased by 15 per cent in 1994. The value of wood and wood products rose by 30 per cent; basic metal products by 28 per cent; manufactured products n.e.s. by 20 per cent; fabricated metal products, machinery and transport equipment by 20 per cent; paper and paper products by 18 per cent; non-metallic mineral products by 18 per cent; chemicals, petroleum, rubber and plastic products by 18 per cent; textile wearing apparel and leather products by 12 per cent and food, beverages and tobacco by 14 per cent.

**TABLE 1.19**  
**Value of Industrial Production 1990 – 1994**  
**(Current Prices)**

	Rs. Million				
Category	1990	1991	1992	1993(b)	1994(a)
1. Food, beverages and tobacco	21,955	30,003	34,157	39,709	45,054
2. Textile, wearing apparel and leather products	27,930	33,854	53,929	70,057	78,211
3. Wood and wood products (including furniture)	721	802	1,005	1,230	1,601
4. Paper and paper products	1,880	2,214	2,586	3,438	4,066
5. Chemicals, petroleum, coal, rubber and plastic products	21,215	20,140	23,817	28,876	34,017
6. Non-metallic mineral products (except petroleum and coal)	7,554	8,181	10,582	12,351	14,580
7. Basic metal products	1,006	1,264	1,424	1,497	1,909
8. Fabricated metal products, machinery and transport equipment	4,199	5,093	5,948	5,915	7,122
9. Products not elsewhere specified	296	2,373	2,658	3,402	4,083
<b>T O T A L</b>	<b>86,756</b>	<b>103,924</b>	<b>136,106</b>	<b>166,475</b>	<b>190,643</b>

(a) Provisional

(b) Revised

*Source*: Central Bank of Sri Lanka.

### VALUE ADDED

In current terms, the value added in industry increased by 15 per cent in 1994 compared with a 21 per cent growth in the previous year. The value added is derived by subtracting the cost of raw materials, power and fuel from the ex-factory value of output.

**TABLE 1.20**  
**Value Added in Industry 1990 – 1994**  
**(Current Prices)**

	Rs. Million				
Category	1990	1991	1992	1993(b)	1994(a)
1. Food, beverages and tobacco	12,065	15,070	18,668	21,704	24,373
2. Textile, wearing apparel and leather products	7,167	8,542	14,630	18,994	20,660
3. Wood and wood products (including furniture)	485	571	677	831	1,081
4. Paper and paper products	1,019	1,167	1,397	1,912	2,301
5. Chemicals, petroleum, coal, rubber and plastic products	2,428	3,199	3,989	4,723	5,758
6. Non-metallic mineral products (except petroleum and coal)	4,742	4,905	5,918	7,163	9,272
7. Basic metal products	194	248	263	279	356
8. Fabricated metal products, machinery and transport equipment	2,746	3,247	3,629	3,608	4,344
9. Manufactured products (n.e.s.)	138	1,092	1,196	1,532	1,838
<b>T O T A L</b>	<b>30,984</b>	<b>38,041</b>	<b>50,367</b>	<b>60,746</b>	<b>69,983</b>

(a) Provisional

(b) Revised

*Source*: Central Bank of Sri Lanka.

Total value added in manufacturing industry in 1994, amounted to Rs.69,983 million. As a percentage of value of output, the value added ratio was 37 per cent in 1994 compared with 36 per cent in the previous year. Among the categories of industries with value added ratios above 50 per cent were: wood and wood products (68 per cent); non-metallic mineral products (64 per cent); fabricated metal products (61 per cent); paper and paper products (57 per cent) and food, beverages and tobacco (54 per cent). Value added ratios were below 50 per cent in manufactured products n.e.s. (45 per cent), textile, wearing apparel and leather products (26 per cent); basic metal products (19 per cent) and petroleum and chemical products (17 per cent) categories.

## POWER AND FUEL

The sales of industrial fuel, excluding sales to the Ceylon Electricity Board, increased by 10 per cent in 1994. Sales of furnace oil and heavy diesel rose by 9 per cent and 22 per cent, respectively.

The use of electricity in industry rose by 8 per cent during 1994. This was made up of an increase of 16 per cent in small scale industries, 1 per cent in medium scale industries and 14 per cent in large scale industries.

**TABLE 1.21**  
**Power and Fuel used in Industry 1993 - 1994**

Item	1993 (b)	1994 (a)
1. Electricity (G.Wh.)(c)	1,218.1	1,314.0
1.1 Small industry	84.4	98.0
1.2 Medium industry	622.9	632.0
1.3 Large industry	510.8	584.0
2. Domestic sales of industrial fuel ('000 metric tons) (d)	193.9	214.0
2.1 Heavy diesel	18.0	21.9
2.2 Furnace oil	175.9	192.1

(a) Estimate.

Sources: Ceylon Electricity Board and  
Ceylon Petroleum Corporation.

(b) Revised.

(c) Includes manufacturing and export processing industries.

Small industry is defined as those units having a supply of electricity at 400/230 volts and contract demand is less than 50 kVA; medium industry as supply of electricity at 400/230 volts and contract demand is equal or more than 50 kVA and large industry as HT supply of electricity at 11 kV, 33kV and 132 kV.

(d) Sales other than to the Ceylon Electricity Board.

## INDUSTRIAL POLICY

The Government continued to provide improved infrastructure facilities to industries on a regional basis during the year under review. The fourth Investment Promotion Zone was set up at Pallekele in the Central Province in April 1994. The Government has initiated a programme of establishing industrial estates/parks in various regions of the country in collaboration with local and foreign private investors. The Science and Technology Development Act was approved by the Cabinet in May 1994, with a view to promoting the use of science and technology in the industrial sector.

Several tax reforms were introduced during the year under review. The corporate tax rate was reduced from 40 per cent to 35 per cent with effect from April 1994 for the purpose of promoting new investments. Concessionary tax holidays hitherto granted to BOI enterprises were replaced by a Preferential Tax Rate of 15 per cent with effect from April 1994.

In keeping with the Government policy on privatisation, the majority shares representing 90 per cent each of the Wayamba Agro- Fertilizer Co. Ltd., Ruhunu Agro-fertilizer Co. Ltd. and Lanka Lubricants Ltd., to the value of Rs.20.5 million, Rs.22.9 million and Rs.239.1 million, respectively, were sold through Cabinet appointed tender boards during the year under review.

## **FACILITIES TO INDUSTRIES**

The industrial sector continued to receive financial assistance on concessional terms during the year under review. The Small and Medium-term Industrial Project Scheme (SMI) of the National Development Bank funded by assistance from IDA was the major financing programme under which industries received financial assistance. In addition, the Development Finance Corporation of Ceylon (DFCC), the National Development Bank (NDB) and other commercial banks provided direct financial facilities to industrial ventures in the form of loans and equity participation.

As at end December 1994, the Central Bank had issued 14,368 guarantees covering loan disbursements of Rs.5,063 million in respect of Small Scale Industries (SSI) and Small and Medium Scale Industries (SMI) I, II, III and IV. A sum of Rs.1,450 million was fully recovered in respect of 4,578 loans amounting to Rs.3,737 million as at the end of the year. With regard to the loans outstanding, a sum of Rs.233 million had fallen into arrears in respect of 8,167 loans. As at end 1994, the Central Bank had paid a sum of Rs.75 million in settlement of 502 claims.

The National Development Bank (NDB) provides direct financial assistance to industrial projects by way of loans and equity participation. In 1994, the NDB approved 352 projects with an outlay of Rs.5,417 million for direct financing assistance in comparison to 262 projects serviced with an outlay of Rs.4,114 million in 1993. During the year under review, the NDB participated in 22 projects by providing Rs.281 million worth of equity. The industrial categories that received major shares of these facilities were: chemical, rubber and plastic products; food, beverages and tobacco; textile, wearing apparel and leather products and basic metal products.

The DFCC approved 304 projects with an outlay of Rs.2,501 million for the industrial sector by way of loans and equity participation. The industrial categories that received major shares of these facilities were: fabricated metal products; food, beverages and tobacco; chemical, rubber and plastic products and textile, wearing apparel and leather products.

During 1994, commercial banks too continued to provide financial facilities. Commercial bank advances to the industrial sector during the first nine months of the year increased by 6 per cent from Rs.18,450 million as at end December 1993 to Rs.19,508 million as at end September 1994.

## **PRIVATE FOREIGN INVESTMENT**

The Board of Investment of Sri Lanka (BOI) continued to function as a "One-stop Investment Promotion Centre". The BOI approved 291 projects in 1994, under Section 17 of the BOI Law (Special Incentive Scheme) bringing the total number of projects approved to 1,482 by end 1994. Of these, agreements had been signed in respect of 993 projects with the BOI to set up various industries.

A total of 442 enterprises were in commercial operation as at end 1994. Of those in operation, 92 were in the Katunayake Investment Promotion Zone (KIPZ), 38 in the Biyagama Investment Promotion Zone (BIPZ), 11 in the Koggala Investment Promotion Zone (KgIPZ) and 301 in other parts of the country.

**TABLE 1.22**

**Approvals of Credit and Financial Assistance and Equity Sanctioned by the National Development Bank and Development Finance Corporation of Ceylon - 1994**

Category	NDB								DFCC						GRAND TOTAL	
	Refinance approvals SMI Project IV		Direct Financial Assistance		Equity		Total		Loan Approvals		Equity		Total			
	No.	Amount Rs. Mn.	No.	Amount Rs. Mn.	No.	Amount Rs. Mn.	No.	Amount Rs. Mn.	No.	Amount Rs. Mn.	No.	Amount Rs. Mn.	No.	Amount Rs. Mn.	No.	Amount Rs. Mn.
1. Food, beverages and tobacco	134	69	35	564	-	-	169	633	75	463	1	1	76	464	245	1,097
2. Textile, wearing apparel and leather products	71	53	42	402	3	94	116	549	56	311	-	-	56	311	172	860
3. Wood and wood products	54	43	12	61	1	-	67	104	26	81	-	-	26	81	93	185
4. Paper and paper products	41	41	1	64	-	-	42	105	28	221	-	2	28	223	70	328
5. Chemicals, petroleum, coal, rubber and plastic products	38	70	76	728	7	48	121	846	59	477	3	7	62	484	183	1,330
6. Non-metallic mineral products	24	10	-	-	-	-	24	10	19	255	2	66	21	321	45	331
7. Basic metal products	53	50	9	156	-	-	62	206	5	16	-	-	5	16	67	222
8. Fabricated metal products, machinery and transport equipment	148	90	-	-	-	-	148	90	36	264	1	337	37	601	185	691
9. Products not elsewhere specified	331	274	177	3,442	11	139	519	3,855	-	-	-	-	-	-	519	3,855
<b>T O T A L</b>	<b>894</b>	<b>700</b>	<b>352</b>	<b>5,417</b>	<b>22</b>	<b>281</b>	<b>1,268</b>	<b>6,398</b>	<b>304</b>	<b>2,088</b>	<b>7</b>	<b>413</b>	<b>311</b>	<b>2,501</b>	<b>1,579</b>	<b>8,899</b>

Sources : National Development Bank,  
Development Finance Corporation of Ceylon

**TABLE 1.23**  
**Realized Investments in BOI Enterprises (a)**

Categories	No. of enterprises	Foreign Investment (Rs. Mn.)	Local Investment (Rs. Mn.)	Total Investment (b) (Rs. Mn.)
1. Food, beverages and tobacco	29	397	480	877
2. Textile, wearing apparel and leather products	97	6,593	1,615	8,208
3. Wood and wood products	11	331	24	356
4. Paper and paper products	7	171	54	225
5. Chemical, petroleum, coal, rubber and plastic products	47	3,886	722	4,608
6. Non-metallic mineral products	37	862	1,328	2,190
7. Fabricated metal products, machinery and transport equipment	15	295	158	452
8. Manufacturing products (n.e.s.)	68	1,728	542	2,271
9. Services (including horticulture)	138	13,975	13,798	27,772
<b>TOTAL</b>	<b>449</b>	<b>28,238</b>	<b>18,721</b>	<b>46,959</b>

(a) Projects approved under section 17 of Board of Investment Law.

Source : Board of Investment of Sri Lanka.

(b) As at 31.12.94

By the end of 1994, the industrial sector recorded substantial new investment in projects that were in operation under Section 17 of the BOI Act. Of the enterprises that have signed agreements with the BOI, 449 enterprises had invested Rs.46,959 million as at the end of December 1994. The foreign component of this investment was Rs.28,238 million or 60 per cent of the total investment. Textiles, wearing apparel and leather products; chemical, petroleum, rubber and plastic products and manufactured products (n.e.s.) categories absorbed 17 per cent, 9 per cent and 5 per cent of the total investment, respectively.

In 1994, employment in BOI enterprises (excluding 200 garment projects) increased by 10 per cent bringing the total number employed in these enterprises to 134,572 persons. Of these, 73,045 were engaged in the textile, wearing apparel and leather product sector. The relative share of employment in this category declined from 57 per cent in 1993 to 54 per cent in 1994. Employment in the Two Hundred Garment Factory Project at the end of 1994 was 71,088 persons. Chemical, petroleum, rubber and plastic products; manufactured products (n.e.s.) and non-metallic mineral products were among the product categories that recorded higher rates of employment generation.

The total envisaged investment of projects approved in 1994 amounted to Rs 43,262 million. Of this, 57 per cent is expected from local sources. Foreign investors came from a number of countries such as Japan, South Korea, Taiwan, Germany, Kuwait, France, Malaysia, Singapore, Australia, the United Kingdom, Italy, the United States of America, Thailand and India. Projects approved by the BOI in 1994 included those engaged in the manufacture of rubber products, wooden toys, ceramic figurines, gas cylinders, herbal products, crystallized fruits, processing of fruits, bottling of purified water and processing of silica quartz.

In 1994, the BOI also approved 26 projects under the Inland Revenue and Tax Related Laws (General Incentive Scheme). The total envisaged investment in these projects amounted to Rs.7,403



**TABLE 1.24**  
**Employment and Export Earnings of BOI Enterprises**  
**1993 - 1994**

Category	1993		1994 (a)	
	Employment (End Dec.)	Gross Export Earnings (f.o.b.) (Rs. mn.)	Employment (End Dec.)	Gross Export Earnings (f.o.b.) (Rs. mn.)
1. Food, beverages and tobacco	3,094	2,838	4,105	3,032
2. Textile, wearing apparel and leather products	127,665(b)	56,890	144,131	60,155
3. Wood and wood products	628	145	1,074	158
4. Paper, paper products	276	155	459	602
5. Chemicals, petroleum, coal, rubber and plastic products	10,349	4,114	13,378	6,206
6. Non-metallic mineral products	7,270	3,410	8,146	4,466
7. Fabricated metal products, machinery and transport equipment	609	297	887	311
8. Manufacturing products (n.e.s)	21,182	7,012	23,433	8,842
9. Services (c)	8,805	1,879	10,047	3,042
<b>T O T A L</b>	<b>179,878</b>	<b>76,740</b>	<b>205,660</b>	<b>86,814</b>

(a) Provisional

(b) Estimates.

(c) Excluding Air Lanka Ltd.

*Source* : Board of Investment of Sri Lanka.

million, of which the foreign component was Rs.4,395 million and the local component Rs.3,007 million. The employment potential of these enterprises was 7,395 persons.

Gross export earnings of BOI enterprises including the Two Hundred Garment Factory Project amounted Rs.86,815 million (SDR 1,223 million) in 1994 compared with Rs.76,740 million (SDR 1,145 million) in 1993. This was an increase of Rs.10,075 million or 13 per cent. In SDR terms, the increase was 7 per cent. Gross exports earnings from textiles, ready made garments and leather products in rupee terms recorded a 6 per cent increase in 1994 compared with a growth of 86 per cent recorded in the previous year. This category continued to be the major foreign exchange earner, accounting for 69 per cent of the total export earnings of BOI enterprises. In the non-garment export sector, product categories that showed significant increases in export earnings were: chemicals, plastic products; non-metallic mineral products and food & beverages.

During the year, promotional activities were undertaken in Malaysia, Singapore, Japan, South Korea, South Africa and the U.K. Two seminars were held in Sri Lanka to attract prospective investors to the electronic sector and the agriculture sector.

### **WEARING APPAREL SECTOR**

The garment industry has become Sri Lanka's main export oriented industry manufacturing a wide range of high quality apparel. According to the Ministry of Industrial Development and the Board of Investment, 687 garment factories were in operation by the end of 1994. Of these, 375 garment factories were registered with the Ministry of Industrial Development and 312 garment factories were serviced by the Board of Investment. The latter included 165 factories set up under the Two Hundred Garment Factory Programme. Of the BOI garment factories, 97 were approved under Section 17 of the BOI Law (Special Incentive Scheme). Fifty factories were in operation under Section 16 of the BOI Law (General Incentive Scheme).

**TABLE 1.25**  
**Utilization of U.S.A. Quota**  
**January - December 1994**

Category No.	Description of Product	Unit	Quota Availability	Utilization	Utilization Rates %
237	Playsuits	doz	267,674	Fully utilized	
331/631	Gloves and Mittens	dpr	3,330,773	3,121,553	93.72
333/633	Suits	doz	29,041	5	0.02
334/634	Other Coats	doz	867,071	776,946	89.61
335/835	Coats	doz	334,700	290,829	86.89
336/636/836	Dresses	doz	658,706	606,465	92.07
338/339	Shirts & Blouses	doz	1,344,752	Fully utilized	
340/640	Shirts	doz	1,343,974	1,225,673	91.20
341/641	Blouses	doz	1,868,738	Fully utilized	
345/845	Sweaters	doz	113,332	77,671	68.53
347/348/847	Trousers, Slacks & Shorts	doz	1,573,138	Fully utilized	
350/650	Dressing Gowns	doz	59,280	56,875	95.94
351/651	Nightwear and Pyjamas	doz	338,285	Fully utilized	
352/652	Underwear	doz	1,329,966	1,327,399	99.81
359C/659C	Coveralls	kgs	960,102	Fully utilized	
360	Pillow Cases	nos	1,200,000	1,101,368	91.78
363	Terry & Other Pile Towels	nos	7,881,596	3,673,688	46.61
368-D	Dish Towels	kgs	728,248	189,847	26.14
369-S	Shop Towels	kgs	689,784	492,347	71.38
435	Coats	doz	15,750	15,226	96.67
635	Coats	doz	461,873	406,992	88.12
638/639/838	Shirts & Blouses	doz	758,023	568,291	74.97
644	Suits	nos	258,635	76,152	29.44
645/646	Sweaters	doz	45,526	7,219	15.86
647/648	Trousers, Slacks & Shorts	doz	777,128	726,443	93.48
840	Shirts and Blouses (not knit of silk blends)	doz	250,000	248,949	99.58

Source: Ministry of Industrial Development

**TABLE 1.26**  
**Utilization of E.E.C. Quota**  
**January - December 1994**

Category No.	Description of Product	Unit	Quota Availability	Utilization	Utilization Rates %
6	Men's or boys woven breeches, shorts and trousers, women's or girls woven trousers and slacks	pieces	6,252,240	5,552,174	89
7	Women's or girls blouses, shirts and shirt - blouses	pieces	10,824,160	Fully utilized	
8	Men's or boys shirts, other than knitted or crocheted	pieces	7,487,072	Fully utilized	
21	Parkas, anoraks, windcheaters, waister jackets	pieces	6,789,610	2,915,750	43

Source : Ministry of Industrial Development

**TABLE 1.27**  
**Utilization of Canadian Quota**  
**January – December 1994**

Category No.	Description of Product	Unit	Quota Availability	Utilization	Utilization Rates %
1.0	Coats, Jackets & Rainwear	pieces	888,061	723,075	81
1.1	Overcoats	pieces	111,618	62,063	56
2.0	Winter outerwear	pieces	210,986	Fully utilized	
3/4	Male and female casual & fine wear	pieces	768,395	412,636	54
3.1	Fine suits	pieces	23,532	3,654*	16
5.0	Trousers, overalls & shorts	pieces	794,081	700,578	88
6.0	Tailored collar shirts	pieces	708,598	Fully utilized	
7/8	Woven shirts, blouses & similar articles, athletic wear, K/c shirts, blouses & similar articles, T-Shirts & Sweat shirts	pieces	1,405,425	1,139,644	81
8.1	Shirts, blouses & similar articles	pieces	618,528	20,147	03
9.0	Underwear	pieces	1,013,543	Fully utilized	
10.0	Sleepwear & bathrobes	pieces	588,300	344,841	59
11.0	Sweaters	pieces	228,479	22,572	10
12.0	Swimwear	pieces	503,366	73,921	15
14.0	Babies' Garments	pieces	294,150	199,975	68
41.0	Bed sheets & pillow cases	pieces	543,008	13,200*	02
44.1	Work gloves	pairs	3,693,013	3,028,928	82

\* No exports during November 1994.

Source : Ministry of Industrial Development

The direct employment opportunities generated by the garment sector, largely for rural youth, amounted to about 225,000. Exports of garments, which amounted to Rs.24,287 million or 31 per cent of Sri Lanka's total export earnings in 1990, rose to Rs.68,945 million or 44 per cent of the total export earning of the country in 1994. Tea, rubber and coconut together accounted for only 22 per cent of total export earnings in 1994. The expansion of the garment industry brought about a diversification of Sri Lanka's export structure, which had overwhelmingly relied on traditional agricultural exports for many decades. The industry has been the main gross foreign exchange earner, displacing tea to second place, since 1986.

The industry has demonstrated a degree of maturity with improved competitiveness, in the recent past. The challenge facing the industry at present is the urgent need to improve its ability to withstand increasing international competition with the possible phasing out of the Multifibre Agreement (MFA) under the Uruguay Round Agreement on Textiles and Clothing over a ten year period directed towards creating complete free trade in textiles and clothing by the year 2005.

The quality and price competitiveness of Sri Lanka's apparel products have been reflected in their ability to enter sophisticated markets. About 92 per cent of Sri Lanka's garments are exported to the USA and EEC. The USA was Sri Lanka's largest importer with a share of 61 per cent of Sri Lanka's exports in 1994. The EEC's share was the second largest with 32 per cent. The other markets where apparel exporters have established a foot-hold included Canada, Japan and South Korea.

Country quota availability and utilization rates in respect of the USA, EEC and Canada are given in Tables 1.25, 1.26 and 1.27 respectively.

Under the Two Hundred Garment Factory Programme, 165 enterprises were in commercial operation providing employment for about 71,088 persons by the end of December 1994, while 9 enterprises were at various stages of implementation. Capital outlay committed to the programme by the private sector is estimated at Rs.5,380 million. Export earnings of these enterprises

amounted to Rs.32,424 million or 54 per cent of the total textile and garment exports of the BOI industries during 1994.

### REGIONAL DISTRIBUTION OF NEW INDUSTRIES

Industrial policy continued to aim at promoting industrial activities in the rural areas with a view to developing regions as well as minimising the adverse effects of the excessive concentration of industries in the Colombo District. The regional distribution of industries registered under the Ministry of Industrial Development disclosed that 23 per cent or 346 enterprises were located outside the Colombo District.

By the end of 1994, out of the 442 industries that were in operation under Section 17 of the BOI Law, 79 per cent or 348 enterprises were located in the Colombo and Gampaha Districts, mainly as a result of the infrastructure facilities provided in the Katunayake and Biyagama Investment Promotion Zones. Twenty one enterprises were in commercial operation in the Galle District mainly because of the Koggala Investment Promotion Zone.

Out of 349 enterprises that were in commercial operation by the end of 1994 under Section 16 of the BOI Law (General Incentive Scheme), 280 or 80 per cent were located in the Colombo and Gampaha Districts due to the better infrastructure facilities available in these Districts. Location of BOI enterprises in difficult areas, particularly in districts such as Trincomalee, Monaragala, Matale, Vavuniya, Matara and Hambantota was also a notable feature. Under the Two Hundred Garment Factory Programme, 165 garment factories came into existence in 21 districts. Of these, 142 garment factories were located outside the Colombo and Gampaha Districts. The number of garment factories located in the Anuradhapura, Kurunegala, Puttalam, Kandy and Ratnapura Districts were 15, 11, 13, 12 and 15, respectively.

**TABLE 1.28**  
**Regional Distribution of New Industries**

District	Industries under Ministry of Industrial Development (a)	Industries under BOI (b)			Total
		Section 17	Outside Sec. 17	200 garment programme	
1. Colombo	1,165	130	203	16	1,514
2. Gampaha	163	218	77	7	465
3. Kalutara	41	15	15	10	81
4. Galle	23	21	14	6	64
5. Kandy	29	11	8	12	60
6. Puttalam	15	14	10	13	52
7. Kurunegala	9	11	8	11	39
8. Hambantota	19	1	1	7	28
9. Matara	20	1	1	4	26
10. Badulla	8	4	3	9	24
11. Ratnapura	1	4	3	15	23
12. Anuradhapura	4	1	1	15	21
13. Nuwara Eliya	3	5	3	9	20
14. Kegalle	2	3	-	8	13
15. Matale	4	1	-	5	10
16. Ampara	4	-	-	5	9
17. Monaragala	1	-	1	5	7
18. Polonnaruwa	-	2	-	4	6
19. Vavuniya	-	1	-	2	3
20. Trincomalee	-	-	1	1	2
21. Batticaloa	-	-	-	1	1
<b>TOTAL</b>	<b>1,511</b>	<b>443</b>	<b>349</b>	<b>165</b>	<b>2,468</b>

(a) As at 31.12.93

(b) As at 31.12.94

Sources : Ministry of Industrial Development and Board of Investment of Sri Lanka.