

REPOSITIONING SRI LANKA'S APPAREL INDUSTRY IN 2026

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Sri Lanka's apparel industry stands at a pivotal juncture. As global supply chains reorganise in the wake of geopolitical shifts, economic pressures, and ESG imperatives, countries like ours must move with speed and clarity- or risk being left behind. The decisions we make today as an industry and a nation will either cement our position as a strategic apparel sourcing partner or erode the hard-earned trust we've built over decades. And therefore, our industry is now at crossroads.

The Global Context

Today, brands are adapting to compressed buying cycles, unpredictable freight costs, and growing scrutiny around social and environmental responsibility. This has led to manufacturers being increasingly burdened with cost pressures and expanding compliance demands. Nearshoring continues to reshape sourcing decisions in the U.S. and EU, while digitalisation is rewriting how product development and fulfilment happen.

Sri Lanka has long positioned itself as a hub for ethical and sustainable manufacturing, and our commitment to fair labour is widely acknowledged. But the industry is facing new headwinds such as a volatile economic and trade climate, talent gaps, and intense competition from regional peers who are scaling rapidly.



Amid this shifting landscape, our advantage must now go beyond ethics; it must be equally matched by speed and ease of doing business, technology and digitisation, sustainability and traceability as well as market diversification.



Competing Beyond Cost

In a region where price often dominates, Sri Lanka must continue to play a different game based on value, not volume. The fastest-growing apparel exporters - Vietnam, Cambodia, Indonesia and Bangladesh- are advancing quickly by investing in FTAs, automation, and vertical integration. Egypt on the other hand capitalises on its geographic advantage and proximity to Europe to deliver faster turnaround times.

Sri Lanka's ESG leadership remains critical. But in today's sourcing environment, we must become a destination known not only for compliance, but for ease of doing business. Investors and buyers today are looking for speed, not just in production, but in speed of access, approvals, and processes. Sri Lanka must build a reputation for regulatory efficiency and predictable, streamlined processes. A single-window investment system or a fast-track "golden licence" model, as seen in Egypt, could significantly increase FDI confidence and reduce friction.

At the same time, our long-standing GSP+ access to the EU must be protected through full compliance with evolving regulatory expectations.

Closer to home, India remains under-tapped. With one of the world's fastest-growing retail apparel markets, India offers real potential if current quota restrictions and trade frameworks can be re-examined and redefined.

The recently announced India-EU Free Trade Agreement, which grants zero-duty access to Indian textiles and apparel across all tariff lines, reinforces India's strategic push toward vertically integrated, large-scale manufacturing for export markets.

This significantly strengthens India's competitiveness in a major global market and reshapes regional sourcing dynamics. For Sri Lanka, this development heightens the urgency to accelerate FTA discussions and deepen strategic supply-chain partnerships with India, while positioning itself as a complementary sourcing hub—one that offers agility, speed, and higher-value product innovation alongside India's scale-driven model.



A stronger Sri Lanka-India apparel corridor would serve both economies and support deeper regional value chain integration.

Strategic Priorities for the Industry

For the months ahead, four actions stand out for Sri Lankan apparel exporters and supply chain leaders:

1. Accelerate Ease of Doing Business:

Advocate for reforms that remove friction in approvals, policies, and investment processes. Predictable, transparent procedures will be essential to regain speed-to-market competitiveness.

2. Invest in speed-enabling technology:

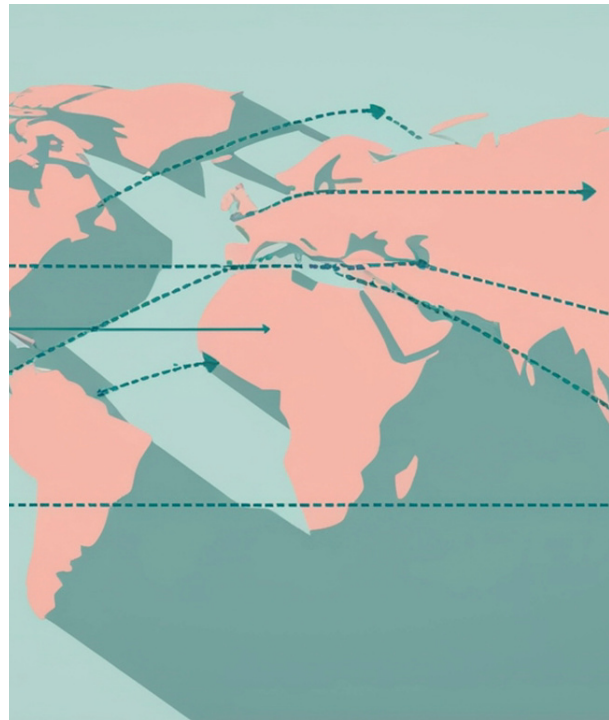
Move beyond factory automation and invest in digitalising trade processes, tax systems, and cross-border logistics. Partner with government and technology enablers to modernise infrastructure and position Sri Lanka as a digitally ready sourcing destination.

3. Prioritise an inclusive sustainability ecosystem and drive compliance visibility:

Proactively publish ESG scorecards and strengthen traceability across tiers to build trust with buyers. Develop public-private financing tools and shared ESG platforms that allow SMEs to meet rising traceability and compliance requirements.

4. Enhance market resilience:

Leverage mutually beneficial trade schemes in UK and EU and advocate for greater access to high-potential markets like India. Diversify product portfolios, develop dual sourcing strategies to improve resilience in the face of tariff shifts and market concentration.



Global buyers are becoming sharper in their sourcing strategies. They want fewer partners, more transparency, faster delivery, and measurable compliance. Sri Lanka is well-positioned to meet this demand but only if we act swiftly, align publicly and privately, and double down on our core strengths.

The apparel industry has long been a symbol of Sri Lanka's economic resilience. Now it must also be a symbol of our capacity to transform and redefine ourselves against a volatile geo political landscape.

