



NEWSLETTER

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NEWS IN BRIEF

Apparel industry urges swift policy action ahead of EU's stricter GSP+ review

- SLAEA Chairperson Rajitha Jayasuriya says Sri Lanka remains eligible till 2027, but next review will be tougher
- Says EU now demands proof of actual progress—not just treaty ratifications
- Pushes for timely policy reforms to meet new GSP+ criteria
- Asserts Sri Lanka's ethical manufacturing reputation is a key strength, but must be upheld
- Cautions against complacency amid rising global competition
- Pledges full support to Govt. on reapplication process

As Sri Lanka's export economy continues to navigate turbulent global trade currents, the apparel industry is intensifying its focus on retaining preferential access to the EU market under the Generalised Scheme of Preferences Plus (GSP+). Although Sri Lanka remains eligible for EU's GSP+ benefits under the current framework till 2027, the upcoming review cycle promises to be far more exacting.

Unlike previous assessments, the European Commission has signaled a shift towards a deeper evaluation of practical progress—requiring countries to not only ratify international human rights and environmental conventions, but also demonstrate tangible implementation across legal, institutional, and governance frameworks.

Against this context, the Sri Lanka Apparel Exporters Association (SLAEA) raised a clear warning on timely action.

SLAEA Chairwoman Rajitha Jayasuriya said the industry’s long-standing reputation as a global leader in ethical and sustainable manufacturing must now be backed by national policies that align with the EU’s evolving criteria.

“Under the upcoming scheme, all beneficiary countries will be required to reapply, and the EU is expected to take a more rigorous approach, evaluating not just formal commitments, but also practical progress in aligning with evolving trade and governance standards,” she told the Daily FT.

Jayasuriya stressed the urgency of aligning national policies with these evolving expectations. “Sri Lanka’s reputation as one of the most ethical and sustainable sources of apparel globally continues to be a key strength and differentiator,” she noted.

However, she asserted that Sri Lanka cannot take that position for granted. “Preserving and reinforcing this reputation is essential not only for our position in the EU market, but also in the broader global sourcing landscape. The Government must act decisively to preserve our GSP+ eligibility, particularly given the mounting competition and the shifting global regulatory landscape,” she explained.

Jayasuriya confirmed that the industry has actively lobbied the Government for policy amendments that reflect the EU’s enhanced expectations.

“We urge the Government to priorities the necessary policy measures to maintain eligibility for the EU’s GSP+ scheme and ensure continued preferential access, particularly in light of increasing competition and changing global trade dynamics,” she said.

The SLAEA has also pledged its full cooperation in supporting the Government’s reapplication process, including the provision of industry-specific data and analysis to aid negotiations.

Source: Daily FT



Trump's tariff terrorises Sri Lanka



- **\$ 3 b of exports to Sri Lanka's largest market under threat due to high 44% new reciprocal tariff declared by US President Donald Trump from 9 April**
- **Sri Lanka figures among top 3 countries with highest reciprocal tariffs and most impacted in South Asia**
- **Major blow for apparel and textiles, rubber and industrial products, agriculture and food; and logistics and shipping**
- **Colombo stock market dips by over 2% as investors react negatively to Trump's tariff move**

US President Donald Trump's decision to slap a high 44% tariff on Sri Lankan products yesterday terrorized the country's private sector and analysts who issued severe warnings prompting the Government to take immediate action.

On 2 April, Trump announced a minimum of 10% reciprocal tariff on all imports to the USA effective from 9 April 2025. These new reciprocal tariffs are set to be implemented in addition to the tariffs already signed by Donald Trump in March 2025.

Accordingly, Sri Lanka was imposed with a 44% reciprocal tariff, primarily due to the barriers and import tariffs imposed on USA imports by Sri Lanka has been estimated to be at 88%. The USA remains the largest export market for Sri Lanka, accounting for 27% (\$ 3 billion) of the total manufactured exports (\$ 12.8 billion) as of 2024.



Out of which Textile and Apparel exports accounted for 64% of the total exports to the USA. The significant tariff was due to the trade imbalance between Sri Lanka and the USA, which accounted for a trade deficit of \$ 2.6 billion as of 2024. Through this implementation, Sri Lanka finds its way into the top 10 highest countries with reciprocal tariffs. Sri Lanka was also the highest affected in the South Asian region, whereas neighbouring countries like India and Bangladesh were imposed with tariffs of 27% and 37%, respectively, depicting a competitive disadvantage of Sri Lankan exports to the USA.

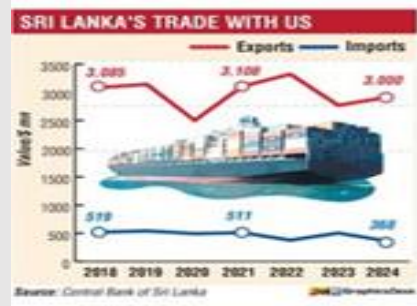
The Ceylon Chamber of Commerce yesterday expressed deep concern over the impact from Trump's move and suggested immediate action. Biggest victim, the apparel industry too expressed concern.

On his part, President Anura Kumara Disanayake got cracking yesterday itself to deal with the threat posed by Trump's move appointing in the morning a top level committee to assess the impact and suggest remedial action and chairing a meeting later in the evening.

Economic analyst Michael Jayawardana in a special report said the short-term pain for sectors like apparel, rubber, and tea is acute, factories may slow or shutter, jobs are at risk, and foreign exchange earnings could dwindle. According to him sectors directly impacted include apparel and textiles, rubber and industrial products, agriculture and food; and logistics and shipping.

The Colombo stock market slipped by over 2% as investors reacted negatively to Trump's tariff move. CT CLSA Securities said companies such as MGT, TJJ, HAYL, DIPD, HAYC, and HELA are expected to be affected by the tariff revision due to their significant exposure to the USA market.

New reciprocal US tariffs		
	Cambodia	49%
	Laos	48%
	Madagascar	47%
	Vietnam	46%
	Sri Lanka	44%
	Myanmar (Burma)	44%
	Bangladesh	37%
	Serbia	37%
	Botswana	37%
	Thailand	36%
	China	34%
	Taiwan	32%
	Indonesia	32%
	Switzerland	31%
	South Africa	30%
	Pakistan	29%
	Tunisia	28%
	Kazakhstan	27%
	India	26%
	South Korea	25%
	Japan	24%
	Malaysia	24%
	Cote d'Ivoire	21%
	European Union	20%
	Jordan	20%
	Nicaragua	18%
	Israel	17%
	Philippines	17%
	Norway	15%
	United Kingdom	10%
	Brazil	10%
	Singapore	10%
	Chile	10%
	Australia	10%
	Turkey	10%
	Colombia	10%
	Peru	10%
	Costa Rica	10%
	Dominican Republic	10%
	United Arab Emirates	10%
	New Zealand	10%
	Argentina	10%
	Ecuador	10%
	Guatemala	10%
	Honduras	10%
	Egypt	10%
	Saudi Arabia	10%
	El Salvador	10%
	Trinidad and Tobago	10%
	Morocco	10%



Source: Daily FT





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Sri Lanka's Apparel Sector Gets Northern And Eastern Boost With 10 New Factories



Efforts to further enhance Sri Lanka's thriving apparel export sector are underway with the construction of 10 new factories in the north and east of the country.

This Development was highlighted in the industry capability report for Sri Lankans' apparel sector released by the export development board (EDB).

The report also indicated that numerous other project are in progress to facilitate the expansion of the nation's garment industry.

The EDB emphasized the strong commitment of the Sri Lankan garment industry to the welfare of its workforce.

The sector operates under the guiding principle of 'Garments Without Guilt', underscoring the ethical practices that form the foundation of its success.

Furthermore, Sri Lankan apparel manufacturers have garnered international recognition for their green manufacturing initiatives.

This includes the establishment of the world's first eco-friendly 'Green Garment Factory', which has achieved significant reductions in energy consumption (by half) and water usage (by 70%).

In 2024, the apparel sector emerged as Sri Lanka's largest export earner, generating 5.15 billion US dollars in exports.

The industry, comprising approximately 300 manufacturers provides direct employment to over 300,000 individuals and supports another 600,000 indirect jobs, with a significant proportion of the workforce being woman.

Source: Hiru News





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Apparel sector in jeopardy as US slaps new reciprocal tariff



- **JAAF cautions the move could erode competitiveness**
- **Warns the new tariff policy could significantly disrupt the sector and put thousands of jobs at risk**

Sri Lanka's apparel sector, the country's largest export industry, is bracing for a major setback after the United States announced steep tariff hikes on imports, a move, which according to the industry, could erode competitiveness.

The local apparel industry yesterday raised alarm over the potential fallout from the United States' new Reciprocal Tariff policy, warning it could significantly disrupt the sector and put thousands of jobs at risk.

US President Donald Trump announced a 10 percent baseline tariff on all imports that will take effect from April 5, increasing to a 44 percent 'reciprocal' tariff on Sri Lankan exports, starting April 9.

"This tariff level is extremely high relative to our regional competitors," said Yohan Lawrence, Secretary General of the Joint Apparel Association Forum (JAAF). "Sri Lanka could very quickly see its share of US business move to countries with lower tariffs than Sri Lanka has".

The United States is Sri Lanka's largest single-country apparel market, accounting for over 40 percent of the sector's total exports, which exceeded US\$ 5.5 billion in 2023.



“With tariffs coming into effect almost immediately, the impact will be swift and severe. Potentially, we could see the bulk of our U.S. business migrate to competitor markets,” Lawrence added. “This volume of business simply cannot be replaced through other markets.”

The government of Sri Lanka has already initiated consultations with the industry and other stakeholders to determine an appropriate course of action.

“We are very appreciative of the immediate actions taken by the government to discuss this situation, and we are working very closely with the authorities to see how best we could address the concerns raised by the US Government, whilst staying within the limitations of Sri Lanka’s ongoing IMF programme,” said Lawrence.

Despite this challenge, the apparel sector remains committed to transparency, ethical production, and sustainable value creation.

“Our focus now is on engagement, agility, and ensuring Sri Lanka remains a trusted sourcing destination,” Lawrence said. “However, this situation is serious, and it must be addressed as a matter of national urgency.”

Source: Daily Mirror





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EXPORT OF APPAREL STATISTICS

Export of Apparel for the Month of March 2020 - 2025

	2020 US\$. Mn	2021 US\$. Mn	2022 US\$. Mn	2023 US\$. Mn	2024 US\$. Mn	2025 US\$. Mn	2024/2025 Change %
Total Exports	299.87	435.36	435.20	388.36	418.33	467.07	11.65
US	134.09	163.30	181.81	151.72	147.45	171.79	16.51
EU	79.57	141.02	126.74	117.50	124.10	142.11	14.51
UK	44.83	62.43	62.76	59.02	66.06	77.13	16.76
Other	41.38	68.61	63.89	60.12	80.72	76.04	-5.80

Export of Apparel January - March (Cumulative) 2020 – 2025 to All Countries

	2020 US\$. Mn	2021 US\$. Mn	2022 US\$. Mn	2023 US\$. Mn	2024 US\$. Mn	2025 US\$. Mn
Chapter 61	636.10	746.80	821.32	678.13	661.13	755.92
Chapter 62	527.74	472.17	539.27	479.70	484.50	527.55
Chapter 63	24.26	33.69	30.33	24.92	28.95	28.59
Total	1,188.10	1,252.66	1,390.92	1,182.75	1,174.58	1,312.06

Export of Apparel in the Month of March 2020 - 2025 to All Countries

	2020 US\$. Mn	2021 US\$. Mn	2022 US\$. Mn	2023 US\$. Mn	2024 US\$. Mn	2025 US\$. Mn
Chapter 61	162.22	259.87	263.16	218.57	240.10	267.35
Chapter 62	131.90	165.40	161.79	160.98	167.23	188.99
Chapter 63	5.75	10.09	10.25	8.81	11.00	10.73
Total	299.87	435.36	435.20	388.36	418.33	467.07



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