

Tailored Trade Please: Free Size Fits Badly

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Inoka Janaki, 24, is from a village in the Kurunegala district. She works as a sewing machine operator in Sri Lanka's largest export processing zone in Katunayake.

"Yes, this is very far from home. But in our area there are no other jobs. Another girl from my village told me about a job in a garment factory and I came here with her to work," says Inoka.

Thousands of young girls like Inoka have found work as sewing girls in Sri Lanka's biggest export industry, the garment trade. Garment exports brought US\$3 billion to the island in 2005. These factories located both inside and outside export processing zones, are estimated to employ nearly 300 000 people directly – over 80 percent women – and an even larger number through indirect and related employment generation.

For many, the ready-made garment industry is the most prominent landmark of trade and economic liberalisation in Sri Lanka. However aside from its achievements of employment generation and contribution to national income, the garment industry is also a lesson in why free-size trade policies could lead to a bad country-fit.

Bad country-fit

In March this year women's groups in Sri Lanka took to the roads in Katunayake, against abuse to women garment workers on public roads. Although 'garment girls' bring the largest chunk of foreign income into the country, young girls like Inoka, have to put up with more than work worries. Working girls in the Katunayake free trade zone complain of theft and incessant verbal and sexual harassment – on public roads, at bus stands and the railway station.

Despite the billions of dollars earned for the country the garment trade is also noted for poor living conditions, poor pay and poor nutrition among workers. The free trade zones themselves are associated with illegal abortion clinics and a thriving commercial sex trade.

These social costs are the less discussed aspects of Sri Lanka's largest export trade. What is more noticeable though is the social stigma attached to garment sector work. It is so strong that sometimes young women like Inoka do not tell friends and relatives back home that they work in garment factories.

Garment factories themselves are now admitting to difficulties in recruiting workers despite improved working conditions. The industry is estimated to have 30,000 vacancies it cannot fill up. Trade unions and activists say the situation is a result of a combination of factors, including the poor pay and social stigma.

Free size policies

Certainly free trade is not to be blamed for sexual harassment, abortion and poor living conditions of workers but the garment sector is an example of why one-size-fits-all trade liberalisation could counter best intentions. For the benefits of free trade to be distributed more equitably trade policies need to incorporate some degree of cultural sensitivity and support mechanisms for the vulnerable.

For instance in Sri Lanka although the government set up free trade zones and provided incentives for investors, it did not ensure adequate transport services and living facilities for workers knowing that the labour force are largely women from distant districts. The lack of cultural sensitivity and a supportive social infrastructure have led to abuses and notoriety for the entire industry.

Tailored trade policies

Trade liberalisation not only creates new opportunities and new markets it can also destroy markets and take away jobs. Therefore trade policies need to take into account both these possibilities. To minimise damages from liberalisation and distribute benefits, trade policies need to be integrated with support mechanisms for the vulnerable.

However research on trade liberalisation in Sri Lanka indicates that support and safety measures are lacking.

A recent study on 'Linkages Between Trade, Development and Poverty-Reduction in Sri Lanka', by the Institute of Policy Studies (IPS) with the collaboration of the Law and Society Trust (LST) and the Jaipur based Consumer Unity and Trust Society (CUTS), shows that the small and vulnerable were often left without any assistance to withstand disruptions caused through liberalisation. "In particular the impact of trade liberalisation has been more adverse to small scale producers irrespective of the type of products they produce," notes the report.

The handloom textile industry is one example. The domestic, rural industry was one of the hardest hit by import liberalisation that saw over 125,000 handloom workers lose their jobs. According to the Ministry of Handloom and Textiles the sector employed around 150,000 people in the 1970s but fewer than 25,000 workers by the 1990s.

Sri Lanka's trade policies had no provisions to retrain and reorient workers and the island also does not have any form of social security for those who lose jobs due to market adjustments. Adjustment mechanisms for small industrialists were also inadequate and small scale and rural industries could not compete with low prices of liberalised imports and could not benefit from increased financial resource mobilisation. Larger businesses on the other hand benefited from liberalisation.

As a result the benefits of trade liberalisation itself, has been unbalanced with below-expectation poverty reduction and increased inequality.

Despite the increased export earnings poverty reduction in Sri Lanka has not kept pace. The national poverty headcount at 25.0 (1995-96) is considered relatively high compared to the per capita income of around US\$1010 (2004). Meanwhile income inequality is also increasing.

During the decade 1990-91 to 2002, the poverty gap between the urban sector and the rest of the country widened and poverty in the estate sector increased. This too indicates that the benefits of freer trade have not reached the poor despite 20 years of open trade.

The IPS report suggests that trade liberalisation needs to be accompanied by complementary domestic policies and institutions to ensure more equitable growth. To attain some degree of balanced regional growth for example, government policy may have to target developing infrastructure along with other policies, to encourage inflows of manufacturing into underdeveloped regions, says the research study.

It is time for Sri Lankan policy makers to adopt a more consultative approach in tailoring trade policies that fit national realities and needs better.

¹ Views expressed are personal.