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Titel der Masterarbeit / Title of the Master's Thesis

„Sustainable Stitches – the UN's Sustainable Development Goals in the Context of Sri Lanka's Apparel GVC”

verfasst von / submitted by

Julia Veronika Schmidt, B.A.

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Betreut von / Supervisor:

Dr. Sebastian Fastenrath



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List of Abbreviations

200 GFP	200 Garment Factory Programme
BOI	Sri Lankan Board of Investments
CAD	computer-aided designing
CAM	computer-aided manufacturing
CMT	Cut, Make and Trim
CoP	Communication on Progress
CSR	corporate social responsibility
EDB	Sri Lanka Export Development Board
EEG	evolutionary economic geography
EPZ	export processing zone
FIE	foreign invested enterprises
GSP+	Generalised Scheme of Preferences Plus
GVC	global value chains
HS	Harmonized System
ILO	International Labour Organization
IUCN	International Union for Conservation of Nature
JAAF	Joint Apparel Association Forum
LEED	Leadership in Energy and Environmental Design
MDG	Millennium Development Goal
MFA	Multi-Fibre Agreement
NGO	Non-governmental organisation
SDG	Sustainable Development Goal
T&A	Textile and Apparel
TNC	transnational corporations
UN	United Nations
UNECE	United Nations Economic Commission for Europe
WCED	World Commission on Environment and Development

1. Introduction

Introduction and Research Question

With the persistent rise of carbon levels, climate change threats and growing inequality around the world, unsustainability is one of the major challenges of our time. One conspicuous contributor to these challenges is the textile and apparel (T&A) industry. For instance, as the UNECE finds, “10 percent of the global carbon emissions are emitted by the apparel industry and . . . (as) far as waste is concerned, 85 percent of textile are sent to landfills” (1). Further, “the fashion industry is closely linked to labour, gender and poverty issues.” (UNECE 1). Thus, the need for the industry to address its unsustainable practices is evident. One country that distinguishes itself in apparel manufacturing is Sri Lanka, globally known as the only green and ethical manufacturer in Asia (Perry et al. 738). Despite such recognition, Sri Lanka remains under criticism for failing to uphold workers’ rights; simultaneously, environmental concerns remain high (Ruwanpura, “Garments Without Guilt” 431). In 2015, the UN established the 17 Sustainable Development Goals (SDGs) that aim to tackle the global unsustainability crisis by 2030. This new global agenda, outlines how various actors, such as states, academia and industries can contribute to facilitate sustainable development. Therefore, the question arises in how far the textile industry is able to respond to the introduction of the SDGs. As such, Sri Lanka serves as an appropriate case study to discuss the impact of SDGs on apparel manufacturers as it positions itself as an ethical and green manufacturing destination while also facing short-comings in its approach to sustainable manufacturing.

Hence, the following research question arises:

To what extent has the introduction of the UN's SDGs impacted the socio-economic and environmental conditions of Sri Lanka's apparel GVC?

Aims and Objectives

Although the discourse on sustainability practices within academic literature is becoming more widely discussed, only some discuss the impact of such practices on regional economies and global production networks. Furthermore, the consequences of the introduction of the UN's Sustainable Development Goals remain little discussed, especially in regards to their influence on different industries. Hence, this thesis aims to address this gap in the literature by discussing the impact of the UN's introduction of SDGs on T&A production sites on a regional level by undertaking a case study analysis of Sri Lanka's apparel industry. The objective is to critically assess in how far the introduction of the SDGs, especially insofar as path-dependencies regarding sustainability trajectories are strengthened or weakened in Sri Lanka's apparel industry, impact the socio-economic and environmental conditions of the Sri Lankan apparel industry's GVC. To do so, the global value chain approach developed by Gary Gereffi will be applied to identify Sri Lanka's role within the T&A global production network. In addition, the development trajectory of Sri Lanka's apparel industry will be traced by applying the evolutionary economic geography approach, focusing on the development of sustainable practices. By combining the two approaches, the impact that the introduction of the SDGs had on the sustainable development trajectory of Sri Lankan apparel manufacturers will be evaluated.

Questions Informing the Thesis

What is the evolutionary trajectory of sustainability in Sri Lanka's apparel GVC?

Does the introduction of the SDGs, especially insofar as path-dependencies regarding sustainability trajectories augment or weaken Sri Lanka's apparel industry, impact the socio-economic and environmental conditions of the Sri Lankan apparel industry's GVC?

2. Literature Review

In this literature review section, the literature discussing global apparel production and the sustainability of this industry will be surveyed in order to gain insights into contemporary state of the art research. As Sri Lanka serves as a case study for this thesis, the literature regarding Sri Lanka's apparel industry will be reviewed. In the next section, the literature on sustainable development and the UN's SDGs will be examined. By addressing these two thematic areas, extant gaps in the literature will be highlighted.

Global Value Chains and Apparel Production

After Gary Gereffi conceived the global value chain (GVC) approach in the 1990s, creating a framework for how to analyse globally dispersed production networks, a number of articles emerged utilising this concept to discuss global production networks and the benefits that lead firms and suppliers hoped to gain from integrating into these networks. With recent changes in global trade patterns being precipitated by increasing participants in GVCs, technological advancements as well as changes in trade agreements, researchers aim to analyse the extent nation-states benefit from partaking in GVCs. This is often investigated through comparative analyses between

countries to compare upgrading opportunities. An example of this is Thomas Bernhardt and Ruth Pollak's study comparing to what extent different countries stimulated economic as well as social upgrading in various GVCs. The apparel industry specifically, one of Gereffi's prime examples of GVCs, is a frequent consideration as the apparel GVC is marked by a number of GVC participants and extensive networks (Gereffi et al., "Governance" 120). Here, the focus lies on suppliers in (South) Asia as manufacturing serves as a common entry point into global production for developing countries. A study by Fernandez-Stark, Frederick and Gereffi investigated insofar various Asian countries were able to achieve economic upgrading by analysing how developments in the supporting environment, such as the fading out of the Agreement on Textiles and Clothing, impacted the industry. Therefore, a large body of literature on global production networks discusses in how far the integration into global production facilitated benefits for participating countries.

Upgrading in the Apparel Global Value Chain

Economic Upgrading

While many studies find that development opportunities for suppliers in the apparel GVC are limited, Sri Lanka is often highlighted as a positive example of integrating into the GVC. In fact, diverse studies are emphatic that Sri Lanka is an example of successful economic upgrading (Deyshappriya and Maduwanthi; Gopura et al.; Whitfield et al.; Athukorala). Other research reveals the context in which the Sri Lankan apparel industry operates and in how far such contexts have facilitated development. For instance, Fernandez-Stark, Frederick and Gereffi stress that trade policies of the 1990s and early 2000s shaped the successful integration of several nation-states into apparel production to a significant degree (1). Athukorala and Ekanayake, as well as Dheerasinghe, analyse the impact the erasure of quotas effected on Sri Lanka's apparel industry in their research. While the impact of trade policies, quotas and their role for

Sri Lanka are prominent in academic discourse, others have focused on the impact of how cooperation with different countries raises Sri Lanka's supplier capabilities with reference to ownership structures and trade agreements (Gu et al.; Gu and Chua; Wignaraja). Undoubtedly, the literature is conclusive that Sri Lanka distinguishes itself with successful economic upgrading in the apparel GVC.

Social Upgrading

Yet, research is not only limited to economic upgrading but also social upgrading. While economic upgrading may occur, social upgrading is not always a necessary corollary (Khattak et al.). Bamber and Staritz, for example, highlight the need to value gender dimensions as essential when looking at upgrading opportunities in GVC's, as women constitute the majority of the manufacturing workforce, while often facing exploitation in the industry (vi). In contrast, Sri Lanka promotes its industry as being "the world's number one ethical apparel sourcing destination," specifically in terms of the well-being of their female workers (EDB, "Industrial Capability" 2). Research on Sri Lanka's apparel industry critically investigates how far Sri Lanka was able to realise these claims and achieve social upgrading. In other words, did workers in the apparel industry benefited from an integration into the global market? Overall, studies on social upgrading found evidence that supports the image of Sri Lanka as an ethical producer, highlighting that it is specifically women who receive the benefits of social upgrading (Lopez Acevedo and Robertson; Athukorala; Ruwanpura, "Garments Without Guilt"; Fernandez-Stark et al.; Perry et al.). However, research also warns that this view is too simplistic; although social upgrading is occurring, it does so to a much smaller degree than what is publicly disseminated, as labour laws are routinely breached. Many female workers do not view apparel manufacturing as a sustainable job opportunity (Ruwanpura, "Garments Without Guilt"; Rajapakshe; Fu; Savchenko and Acevedo). For instance, Lynch points out in the findings of her fieldwork that while women were able to acquire paid jobs by becoming garment factory workers, they are negatively perceived as garment production is considered immoral (22). The literature

on social upgrading in Sri Lanka therefore stresses that, despite social upgrading occurring to a certain degree, inequalities and injustices persist within the apparel industry. For this reason, researchers advocate paying greater attention to local conditions and how they predetermine GVC participation and development.

Environmental Upgrading

While a number of academics thus studied the extent of economic and social upgrading opportunities in the apparel GVC, the literature focusing on environmental upgrading in apparel manufacturing is still new. The majority of this strand of literature conceptualises sustainable practices as processes that mitigate environmentally harmful consequences, discussing environmental upgrading in the apparel GVC. In the literature utilising the GVC approach, scholars discuss the multiple possibilities in which industries could incorporate environmentally friendly processes (De Marchi et al.; Krishnan et al.). However, the wider literature on sustainability in apparel manufacturing is still limited regarding how to make production steps more environmentally friendly. For instance, several articles discuss applying the concept of the circular economy to textile and apparel manufacturing (Fu et al., “Circular Economy”; Gowsiga and Thayaparan) as well as other methods to raise the sustainability of apparel production (Muthukumarana et al.; Akter et al.; Linton, et al.). Evidently, researchers are trying to find solutions for the apparel industry's environmentally harmful practices.

Sustainability: A Complex Term

As this thesis aims to discuss the sustainability turn in the apparel industry, a closer survey of the sustainability literature is necessary. The term sustainability connotes a myriad of topics and issues, including the aforementioned concepts of economic, social

and environmental upgrading. This is specifically true for the term sustainable development. In his article “The Dilemma of Sustainability”, Adams discusses how the concept of sustainability was redefined by the introduction of the term sustainable development in 1972. He further states the term has been deployed by various actors, such as policy makers, due to its ambiguous nature. This view of sustainable development as an ambiguous term is also central in The Routledge international Handbook of Sustainable (Redclift and Springett). Here, sustainable development is presented to be informed by diverse theories, incorporating topics such as the economy, the social realm and the environment. It is therefore notable that sustainable development is not as transparent a concept as some might posit. Rather, its definition and realms of application have altered over the past few decades. More recent literature stresses that the term as it is used today, with regards to economic growth, social and environmental protection being simultaneously achievable, is contradictory and vague (Redclift; Nogueira). As such, the literature highlights the ambiguity of the term sustainable development, stressing the need to identify how the idea of sustainable development has been communicated by different actors and what these actors hope to achieve through including the term into their narratives.

Sustainability in the Apparel Industry

In contrast to the generic application of the term sustainability, the term in the apparel industry is marked by a narrow definition of sustainability. The majority of this strand of literature conceptualises sustainable practices as processes that mitigate environmentally harmful consequences, hence environmental upgrading. However, other researchers reiterate that, while it is important to think about how to make the industry more sustainable, a number of barriers against the implementation of new processes exist (Majumdar and Sinha; Raut et al.). For instance, Köksal and colleagues find that social sustainability is heavily neglected when discussing sustainability in the apparel industry. As such, the literature on sustainability in apparel production is

multiplying. Nevertheless, this literature is yet in its early stages and does mostly focus on promoting more environmentally friendly processes, while other aspects of sustainability in supply chains are still neglected in the literature.

Sustainability in the Sri Lankan Apparel Industry

In regards to literature discussing sustainability in Sri Lankan apparel production, a similar research pattern as discussed above is identifiable. For example, Munasinghe and colleagues analysed the carbon and energy footprint of Sri Lankan apparel manufacturing firms, identifying the stages of the production process which expend the most energy and are therefore not sustainable. This study underscores the need for the incorporation of more sustainable production processes. Multiple cases studies on Sri Lanka's apparel industry investigate the extent progress has been achieved in this regard, analysing how far Sri Lankan firms aim to incorporate more environmentally friendly practices into the manufacturing process (Muthukumarana et al.; Shiwanthia et al.; Khattak et al.; Gunarathne and Sankalpani; Wanniarachchi and Dissanyake; Abeyrathna). The majority of such studies focus on new mechanisms and tools that apparel firms have integrated to make the industry more sustainable. Nonetheless, firms are yet in the beginning stages of implementing greener production processes, stressing that there is a long way to go. For example, in a comparative study of how the concept of the circular economy has been applied by different apparel manufacturers in Asia, it has been found that a number of Sri Lankan firms have started to incorporate the concept, yet this remains understudied (Gowsiga and Thayaparan 117,123-24). In contrast, research on post-production waste and strategies to mitigate its negative environmental impact is limited (Dissanayake and Weerasinghe). Another strand of literature focuses on the response of Sri Lankan apparel firms to increasing concern regarding how apparel manufacturing negatively affects the environment. For example, some studies focus on what gains Sri Lankan apparel firms promise themselves for incorporating more environmentally friendly

production processes and insofar these can be realised (Nimanthi and Priyadarshanie; Dissanayake et al.). Studies that focus on manufacturers underline that they are motivated by maximising new upgrading opportunities through incorporating green manufacturing processes. Another study examines the different competitive capabilities that apparel manufacturers need that enable themselves to engage in more sustainable practices by comparing different Sri Lankan apparel manufacturers (Jayarathne et al.). This study shows that engaging in greener practices in apparel manufacturing is certainly not universally possible, as it demands certain capabilities on the supplier side. Yet, studies point to the fact that Sri Lankan apparel manufacturers are a positive example of having the ability to introduce greener manufacturing practices.

The Sustainable Development Goals: Accelerating the Sustainability Debate

With the introduction of the Sustainable Development Goals (SDGs) by the UN in 2015, the discourse surrounding sustainable development accelerated. This was also reflected in academic research as a number of articles scrutinising the implementation of the SDGs emerged soon after. A group of articles concentrating on comparing the SDGs to the UN's Millennium Development Goals (MDGs) is of particular significance. These articles discuss the extent the SDGs signal a change in the conception of development, stressing that the SDGs aim to cover much bigger ground than the MDGs (Gore; Fukuda-Parr; Halisçelik and Soytaş). In this strand of literature, the complexities inherent in the SDGs are discussed and in how far these impact implementation strategies (Fu et al., "Unravelling the Complexity"; Allen et al.) Unquestionably, the introduction of the SDGs sparked new debates on the extent global actors, such as the UN, can inform the discourse on sustainable development and how this affects national responses. For example, a study by Biermann and colleagues compares the

findings of different paper on the political impact of the SDGs, concluding that the SDGs impact on governance on the global and local level is limited. Ostensibly, this cross-section of the literature centres on the impact of the implementation of the SDGs. However, another cross-section discusses the SDGs critically, identifying barriers to their implementation. The main shortcoming identified in the literature is the centrality of economic goals which conversely preclude achieving goals pertaining to ecology and social equality as well as the vagueness and specificity of certain goals regarding their viability (Eisenmenger et al.; Hickel). Measuring and achieving complex targets is accordingly identified as a main weakness of the SDGs. For this reason, a number of researchers accentuate the need for clear guidelines on how SDGs can be measured (Hák et al.; Diaz-Sarachaga, et al.; Kynčlová, et al.). In summary, the literature on the SDGs focuses on critically discussing how it informs our understanding of sustainable development and insofar its ambitious and complex goals are realisable.

The Sustainable Development Goals in Sri Lanka

Research on the SDGs is however not solely limited to investigating their general applicability. Some of the research centres on the impact that the SDGs have for specific regions, specifically pertaining to developing countries. For instance, some of the research underscores Asia's history of development and insofar the implementation of SDGs facilitated further development (Kumarasena et al.; Kumar et al.). In these two articles, researchers urge analysts to review policy responses in order to measure the consequences of the SDGs. This is also true for Sri Lanka. Here, the research predominantly centres on government responses to the introduction of the SDGs and aims to pinpoint which goals are being prioritised and identify the challenges inhibiting the implementation of other goals (Järnberg et al.; Tilakaratna et al.; Todd and Ruwanpura; Adikari et al.; Herath). Hence, evaluations of the impact of the SDGs

on specific regions and/or countries, such as Sri Lanka, cross-references policy responses for a better appreciation underlying the implementation of such goals.

The Sustainable Development Goals in Sri Lanka's Apparel Industry

Whereas some researchers prioritise specific regions and countries, other researchers have examined how industries have influenced realising the SDGs. This area of research should be highlighted, as the apparel industry is one of the main concerns of this thesis. As discussed above, research on sustainability within the apparel industry has focused on how to effectuate environmentally friendly practice. Such focus is also reflected in the research which posits that environmentally friendly production processes can be cross-reference to measure the achievement of the SDGs (Giannetti et al.). The study by Cai and Choi emphasises that research on the SDGs and the apparel industry is not equally considerate of economic, social and environmental sustainability, stressing the necessity for more inclusive research. However, such research in the Sri Lankan context is only in its infancy. One of the first articles focusing on the SDGs and Sri Lanka's apparel industry was published by Fernando et al. in 2020, analysing the impact of automation on garment workers and the extent the SDGs are able to mitigate negative changes for workers. To do so, this article discusses which SDGs in Sri Lanka's apparel industry would cultivate a more sustainable industry for its workers. Soysa et al., on the other hand, discuss how far the SDGs are reflected in Sri Lankan manufacturer's disclosures of their sustainability practices. Although there is an emerging body of research on the generic impact of the introduction of Sri Lanka, and research on the SDGs in the context of the apparel industry, enquiries into how the Sri Lankan apparel introduced the 17 goals of SDG, has been limited. This thesis thus aims to contribute to filling this research gap by providing a starting point for a discussion on how to evaluate the impact of the SDGs on the apparel industry in developing countries, with Sri Lanka as a case study.

2. Theory

The Global Value Chain Approach

Since the middle of the 20th century, a large number of production and trade have become increasingly globalised. One key characteristic shaping the globalisation of industries is that production is separated into different production, with key stages being outsourced to different firms around the globe, thereby allowing actors to work simultaneously to develop products as quickly and cost-efficiently as possible (Gereffi, “Post-Washington” 9-10; Gereffi, “Economic Upgrading” 245). Typically, firms in the Global North outsource manufacturing steps to developing countries in order to cut production costs (Fernandez-Stark and Gereffi 58). This, in turn, is said to enhance development opportunities in countries in the Global South, as integration in the global economy is believed to stimulate economic growth, increase access to new markets, knowledge as well as employment opportunities, especially for minorities such as migrant workers and women (Barrientos et al. 228; Fernandez-Stark et al. 54). Gereffi developed the global value chain (GVC) framework that “focuses on globally expanding supply chains and how value is created and captured” within them in order to analyse how these global production networks function and how the various actors can benefit from participating in them (“Post-Washington” 12). According to this approach, global value chains “represent the entire input-output process that brings a product or service from initial conception to the consumer’s hands” (Fernandez-Stark and Gereffi 56). The GVC approach thus enables researchers to examine these chains; in doing so, they gain an understanding of a country’s contribution to the production of a certain product, while identifying which actors play a crucial role in this process and development opportunities for participants. Furthermore, the GVC framework facilitates the analysis of “the possibilities for firms in developing countries to enhance their position in global markets” (Gereffi et al., “Governance” 108). As Fernandez-Stark

and Gereffi highlight, the GVC approach traces a product from its original design, between production and end use as well as examines the jobs, “technologies, standards, regulations, products, processes, and markets in specific industries and places, thus providing a holistic view of global industries” (54-55). Moreover, this furnishes the study of development trajectories in the participating countries and how their role in the GVC has changed over time. The GVC approach thus functions as an appropriate tool to analyse how different countries and actors are impacted by participating in global production networks.

As this thesis focuses on the apparel industry, the global production patterns of apparel manufacturing will be turned to next. The T&A industry was one of the first industries to be constituted by expansive production and multiple actors (Gereffi et al., “Governance” 120). Since the 1970s, Western lead firms, specifically apparel retailers and retailers located in leading markets in the West, outsourced manufacturing to developing countries in (East) Asia (Fernandez-Stark et al. 7-8). As a result, Asia came to be the “epicentre of export-oriented apparel production” (Gereffi et al., “Governance” 120). The following sections will directly connect the applicability of the GVC approach to the T&A industry in order to demonstrate how the GVC approach is particularly enlightening when considering the T&A industry’s economic, social and environmental impact of a country’s integration, such as Sri Lanka’s, into globalised apparel production.

The Six Key Dimensions of the Global Value Chain Approach

The GVC approach focuses on six key dimensions to offer a well-rounded understanding of the impact of GVC participation. The first three are globally focussed, enabling researches to identify the dynamics of the specific GVCs, the extent of global dispersion and the key actors (Fernandez-Stark and Gereffi 55). The second three focus on the local level, examining upgrading opportunities for manufacturing countries and

their impact, as well as local institutional contexts and stakeholders (Fernandez-Stark and Gereffi 55). By focussing on locality, the GVC approach not only deepens our knowledge of the impact from globalised production and trade on a local level, but is further “useful in the examination of social and environmental development concerns” of countries participating in GVCs (Fernandez-Stark and Gereffi 54-55). This analysis relies on primary and secondary data and is typically marked by “case studies and qualitative firm-based research” (Frederick 29-30). The GVC framework is therefore effective in comprehensively providing an understanding of an industry, its participating actors as well as illuminating the economic, social and environmental impact of the industry.

The Global Value Chain Input-Output Structure

The first step in the GVC analysis is to globally outline the GVC, such as identifying the key components in creating products or services and the interconnections between relevant actors. To do so, the broader structure of the GVC needs to be identified first. Fernandez-Stark and Gereffi identified the following as the main steps inherent in the majority of GVCs: “research and development, design, inputs, production, distribution and marketing, and sales, and in some cases the recycling of products after use” (56). In the GVC literature, value is defined as “the differential ability to create products and/or capture rents from the position of a firm in a chain” (Havice and Pickles 171). In each of these different steps, value accumulates until the product reaches the end-consumer. At each stage, the various actors aim to capture the highest degree of value possible. Cutting costs is one of the primary strategies for raising an activity’s value. The activities that add the most value can be said to be design, branding and marketing. For this reason, buyers and brands from the Global North focus on these segments of the GVC (Fernandez-Stark et al. 7). As such, outsourcing steps, such as input creation and production, oftentimes distribution as well, to competitive manufacturers in the Global South cuts the cost of low-value activities while re-

positioning high-value activities. (Milberg and Winkler 129). For developing countries, integrating into global apparel production was viewed as beneficial, as their hope was to gain development opportunities through attracting foreign investment, local development and economic growth (Jensen and Whitfield 1). As this thesis focuses on the producer side of apparel, with Sri Lanka as a case study, more emphasis will be placed on the supply side/manufacturing side of the apparel GVC. Thus, the supply chain should be explored in greater detail next.

The Supply Chain Structure

In order to get an understanding of a manufacturer's role in the GVC and the corollary development opportunities, an overview of the supply chain of a product needs to be delineated. A supply chain includes the input-output structure that helps identify the various production steps and maps out the different actors involved (Frederick 32). The different stages are typically the following: (1) inputs/materials, (2) components (textiles), (3) final products and (4) distribution/sales (Frederick 32,35). As each stage is connected with a varying degree of value added to the product, the stage in which a country's activities focus on determines its development opportunities, the relationship with lead firms as well as its profit-making capacities.

The best way to identify in which stage of the supply chain a country is operating in a GVC is through reference to trade data. By identifying a country's main export products in the specific GVC, and which components and input factors are imported, the stages in the supply chain of a country can be assessed. Various types of trade data exist and can be consulted in this regard. Frederick, however, recommends using "data based on Harmonized System (HS) codes. . . . [As it is] the most detailed and robust dataset because HS codes are tied to tariffs, which are legally required fees" (Frederick 34). Hence, HS codes are a suitable option to track how specific products are traded. Thus, by identifying the end markets of export goods, trade data

can reveal how globally dispersed a GVC is. To visualise this, it is useful to map out the supply chain in a graph and populate it with the according HS codes. Therefore, identifying the supply structure of a GVC, its relevant HS codes and utilising them to conduct an industry analysis with reference to trade data, the GVC approach can elucidate the pertinent GVC on a global level, and the role of a specific country in the GVC.

The Relationship Between Lead Firms and Suppliers

After analysing the involvement of global actors in a GVC, the local level needs to be studied. Despite trade data revealing the position of a country within the GVC and its supply chain, understanding the relationship between lead firms and suppliers helps identify how development opportunities should emerge. Gereffi differentiates between producer-driven commodity chains and buyer-driven commodity chains. Producer-driven commodity chains are industries where technology and capital drive the industry, such as aircrafts, automobiles, computer chips and “transnational corporations (TNCs) or other larger integrated industrial enterprises play the central role in controlling the production system” (Gereffi, “Commodity Chains” 97). Thus, companies are typically marked by a transnational nature, operating on a global scale whereby information is exchanged between company structures. Buyer-driven commodity chains, on the other hand, describe industries such as apparel, toys and footwear, where both retailers and brand-named firms hold the most power and labour-intensive and trade-led production, which is carried out by “independent Third World factories” (Gereffi, “Commodity Chains” 97). The apparel industry should be categorised as a buyer-driven commodity chain, as apparel manufacturing is labour-intensive. Although manufacturers operate independently from lead firms and are found in a number of different developing countries, they face fierce competition as they need to meet stringent demands and standards (Fernandez-Stark and Gereffi 58). This state of affairs empowers lead firms to exert a significant influence on GVC

participation and value creation. As a result of this governance structure, lead firms are able to exercise “control over how, when, and where manufacturing will take place, and how much profit accrues at each stage” (Fernandez-Stark et al. 12). Thus, the apparel GVC is marked by a high degree of competitiveness amongst manufacturers, as lead firms control the global production of apparel. In order to evaluate insofar apparel firms are able to benefit from working in buyer-driven commodity chains, the relationship between lead firms and suppliers needs to be examined on a country-level basis.

While the apparel GVC is thus a buyer-driven commodity chain with lead firms obtaining the majority of power, this still fails to explain *how* lead firms shape this process. Therefore, the different governance structures depicting different power relations between lead firms and suppliers will be turned to that are an important part of the GVC analysis (Fernandez-Stark and Gereffi 58). By identifying these power dynamics, the development abilities of different actors in the chain can be explained. According to the GVC approach, five governance structures can be identified: markets, modular value chains, relational value chains, captive value chains and hierarchical (Gereffi et al., “Governance” 113). The governance structure of a GVC is a result of the “*complexity of information and knowledge*” that needs to be transferred in order to create the product, the “*extent to which this information and knowledge can be codified*” and the “*capabilities of actual and potential suppliers*” to make the product (Gereffi et al., “Governance” 115). Thus, as these factors can change over time, the governance form within an industry is likewise contingent. Markets are marked by simple repeat transactions, little cooperation and switching costs are low for both parties (Gereffi et al., “Governance” 113). In modular value chains, complex information is exchanged to fulfil customer specific requests, yet switching costs are still low (Gereffi et al., “Governance” 113). In relational value chains, “complex interactions between buyers and sellers, which often create mutual dependence and high levels of asset specificity can be identified” (Gereffi et al., “Governance” 113). In captive value chains, supplier capabilities are low, while the codification and

complexity of products are high, resulting in suppliers being closely controlled by lead firms (Gereffi et al., "Governance" 113). In a hierarchical value chain, products are complex, the product information cannot be codified, resulting in the lead firm spearheading production itself (Gereffi et al., "Governance" 113). Lead firms are generally trying to keep their suppliers in governance structures where they can exceed as much control as possible, such as captive relationships.

To do this, they establish routines and process standards to reduce transaction costs and information sharing (Gereffi et al., "Governance" 114). However, if lead firms want their suppliers to produce more complex products or satisfy increasing demands, lead firms are forced to share more information which often results in a change in the governance structure and an emergence of upgrading opportunities (Gereffi et al., "Governance" 114). Further, the type of industry also significantly shapes the necessary degree of information sharing and thereby the governance structure. Therefore, the level of information sharing, often linked to the type of industry manufactures operate in, constitutes the governance structure of a specific GVC.

In the case of the apparel industry, a variety of governance structures can be identified, depending on the services that manufacturers offer. A common entry point into the apparel GVC is carrying out Cut, Make and Trim (CMT) activities, the simplest form of apparel assembly that requires minimal information exchange and low supplier capabilities (Athukorala 201). In those instances, suppliers operate in captive relationships with lead firms with only limited opportunities to advance their position in the GVC. In the apparel industry, most Asian countries joined the GVC by focusing on assembly, thereby participating in an "assembly-oriented captive model" (Gereffi et al., "Governance" 120). However, a number of lead firms demand so called *full-package production*, meaning that manufacturers are also responsible for designs, making samples, sourcing inputs, ensuring product quality, to name a few (Gereffi et al., "Governance" 121). This allows firms in the Global South to develop key competences and offer a variety of development options for their own economy, while

lead firms can focus on marketing and sales (Gereffi et al. "Governance" 121). Manufacturers that offer these advanced services operate in relational networks with lead firms as a high degree of information exchange is necessary. In order not to become over-reliant on a singular supplier, lead firms often try to diversify their suppliers. Thereby, competition amongst manufacturers is increased, keeping production costs low. While apparel manufacturers from developing countries thus typically first enter captive relationships upon integration into the global apparel production, some are able to increase their supplier capabilities, often resulting in a shift towards relational networks between buyers and suppliers.

Upgrading in the GVC Framework

Economic Upgrading

In order to analyse the impact of integration into a GVC for an economy, the arising development opportunities need to be deliberated. In the GVC literature, this is typically done through an examination of the upgrading opportunities that suppliers are able to exploit. As mentioned above, developed countries typically engage in high-value activities within a GVC, whereas developing countries enter the GVC by performing low-value activities, through which they hope to develop themselves (Fernandez-Stark and Gereffi 63). Three main forms of upgrading can be identified: economic, social and economic upgrading. However, when the GVC framework was introduced, economic upgrading was the only form of upgrading under consideration. Economic upgrading describes a firm's ability to engage in "higher value production or repositioning themselves within value chains" (Barrientos et al. 228). According to GVC literature, four main types of economic upgrading are discernible: process upgrading, product upgrading, functional upgrading and chain upgrading (Barrientos et al. 232). These different types of upgrading can sometimes occur simultaneously or one by one. Process upgrading refers to making the production process more efficient through, for

example, an increase in automation (Barrientos et al. 232). Product upgrading refers to suppliers being able to produce more sophisticated products, enabled through a higher-skilled workforce (Barrientos et al. 232). Functional upgrading is defined as firms being able to move towards “higher-value-added tasks in the production process” (Barrientos et al. 233). This can include incorporating design or being responsible for logistics (Barrientos et al. 233). Lastly, chain upgrading refers to switching to a new industry attainable through advancements in innovation and capabilities (Barrientos et al. 233). One type of economic upgrading often triggers other forms of economic upgrading, highlighting its interdependencies. Through different economic upgrading successes, apparel manufacturers, for example, can develop full-package production skills. As established above, the development of these skills can also result in closer relationships between lead firms and suppliers. changes the governance structures between lead firms and suppliers. This spurs manufacturers in developing countries to develop key competences and provide a variety of development options for their own economy (Gereffi et al., “Governance” 121). Hence, economic upgrading in a GVC is both an opportunity for development as well as for enhancing the country’s position within the GVC.

Social Upgrading

Partaking in a GVC can thus lead to various economic upgrading opportunities for some suppliers. However, even if economic upgrading occurs, it does not necessarily translate into better conditions of workers and the general population of developing countries (Fernandez-Stark and Gereffi 63). Hence, the need to discuss in how far GVC participation can benefit workers and people on the local level is evident. Therefore, the concept of social upgrading was introduced as an additional parameter, defined as creating better conditions for workers, such as regular employment and the protection of workers’ rights, to name a few (Barrientos et al. 228). Three different types of social upgrading can be identified: small-scale worker upgrading, labour-intensive upgrading and higher-skill upgrading (Barrientos et al. 245-46). Small-scale worker upgrading

takes place when the general work conditions are improved for workers (Barrientos et al. 245). Labour-intensive upgrading takes place when workers change their type of work that offers better working conditions. Lastly, higher-skill upgrading takes place when workers are able to switch to a better job due to improved skills they have to offer (Barrientos et al. 246). While some factors like working hours and the wage level can be quantified and are useful as indicators for social upgrading, other factors such as the “freedom of association, the right to collective bargaining, non-discrimination, voice and empowerment” are less easy to measure (Barrientos et al. 233-34). Despite the fact that instances of social upgrading are often difficult to identify as they are often not quantifiable, social upgrading emphasises that the impact of GVC integration on workers and local communities needs to be considered when discussing the benefits of GVC participation, looking beyond economic benefits.

Environmental Upgrading

With the rising threat of climate change, people are increasingly concerned with the negative impact that manufacturing has on the environment. As a result, NGOs and consumers put increasingly higher demands on producers to take responsibility for their environmental impact (De Marchi et al. 310). As a global environmental consciousness developed, environmental upgrading was also integrated into the conceptualisation of upgrading in the GVC approach in order to measure the impact of firms’ strategies to become more environmentally friendly. Environmental upgrading is defined as “a process by which value chain actors design or modify production systems and practices in view of improving the environmental impacts of GVC operations” (Krishnan et al. 2). Even though the literature on the concept is still in its infancy, three types of environmental upgrading can be identified: process improvements, product improvements and organizational improvements (De Marchi et al. 313). Process improvements refer to making the manufacturing process more eco-efficient through

introducing new technology or reorganizing the production process (De Marchi et al. 313). Product improvements, on the other hand, describes the introduction of new products that are designed with environmentally-friendly production process in mind (De Marchi et al. 313). Lastly, organizational improvements refer to changing how manufacturing is managed and often includes the introduction of new standards and business strategies (De Marchi et al. 313). Thus, environmental upgrading entails a departure from business as usual and demands a holistic change of the production process, changing in the general business strategy, the types of products that are being manufactured as well as how these products are being manufactured.

Institutions, Stakeholders and Their Power in GVCs

After covering the various forms of upgrading that the GVC approach utilises to estimate the development opportunities that engaging in the global production market offers, it is also important to point out that institutions and stakeholders shape these opportunities to a significant degree. Institutional actors and stakeholders are viewed as part of the supporting environment that shapes upgrading opportunities by setting standards and putting demands on the participants of GVCs (Gereffi, "Economic Upgrading" 251). Institutional actors, such as government agencies and industry associations, to name a few, "create and enforce the legal or societal parameters for participating in the chain" (Frederick 32). Hence, the importance of examining these actors is evident. The regulations these actors introduce need to be considered specifically. For instance, "tax and labor regulation, subsidies, and education and innovation policies . . . can promote or hinder industry growth and development" (Fernandez-Stark and Gereffi 64). Especially, trade policies are considered important in the GVC approach as they shape access to markets, often set tariffs and are industry specific (Fernandez-Stark and Gereffi 65). Thus, institutional actors, such as stakeholders, states and industry associations have the ability to shape GVCs and

therefore upgrading opportunities, for example through the introduction of regulations and tariffs.

The Evolutionary Economic Geography Approach

While the GVC approach thus helps identify a country's role in globally dispersed production networks and in how far this engagement in a GVC offers upgrading opportunities, it nonetheless has its shortcomings. First and foremost, with its focus on trade data as a main source, the GVC approach fails to uncover why countries development trajectories differ. Assessing economic, social and environmental upgrading successes do also not explain what enabled suppliers to make these achievements. Yet, to understand how industries address problems such as the current unsustainability crisis, multi-scalar approaches are necessary to analyse local as well as global responses (Patchell and Hayter 116). It is for this reason that the evolutionary economic geography (EEG) approach will be incorporated as another key theoretical framework as it allows to shift the focus onto the historical development of the Sri Lankan apparel industry. By doing so, the different factors and agents that shaped different stages of development can be identified in order to demonstrate the unique factors that shaped Sri Lanka's development trajectory. As Patchell and Hayter stress, the EEG approach is particularly useful when investigating GVCs, as the GVCs are "multi-scalar in conception and are centrally concerned with the extent of embeddedness in linked geographies that feature clusters and dispersed operations," yet lack the focus on evolutionary dynamics that the EEG approach prioritises (121). Hence, the GVC and the EEG approach can be viewed as complementary approaches that minimise the short-comings of the other. While the GVC framework offers first insights into how an industry is structured, the EEG approach allows to delve deeper, focusing on a wider range of factors that shape development trajectories of industries over time. As this thesis aims to discuss how the introduction of the SDGs advanced socio-economic and environmental conditions in Sri Lanka's apparel industry, the EEG

approach is pertinent in that it traces the development of Sri Lanka's involvement in global apparel production before the introduction of the SDGs. By using this approach, developmental and historical stages, as well as their causal mechanisms, can be framed and analysed.

While the EEG approach studies a number of different phenomena, its main aim is understanding what triggers economies and industries to change over time. As Boschma and Martin summarise, the focus lies on *"the processes by which the economic landscape – the spatial organization of economic production, distribution and consumption – is transformed over time"* (539). Hence, the EEG approach helps elaborate on questions such as how networks evolve and why some regions experience more growth than others (Boschma and Frenken 213). Through this, the EEG approach enables researches to identify the strategies that manufacturers apply to remain competitive and maintain long-term developmental gains. EEG highlights the centrality of *"understanding change and continuity"* and emphasises that industries transform due to a variety of internal and external factors (Boschma and Martin 545). Examples of such factors are the emergence of new technologies, the implementation of new regulations and changes in market dynamics (Gong et al. 524). Therefore, the EEG approach emphasises the inevitability of change in the development trajectories of industries as well as discussing factors that facilitate change and insofar actors can develop abilities to respond to change. The underlying understanding is that *"the economic landscape inherits the legacy of its own past industrial and institutional development and that this history can exert a major influence in condition its future"* (Martin and Sunley 408). Hence, a clear understanding of an industry's development history is vital to understand to what degree actors' ability to adapt to changes is shaped by past experiences.

In order to gain a deeper understanding of an industry's development trajectories, the EEG approach emphasises the need to identify different development phases and the triggers that facilitated change within a given industry. In this view, the

economy is seen as a “dynamical, irreversible and self-transformational system”, in which transformation processes occur in stages (Boschma and Martin 538). Each stage is influenced by dynamics of change such as “emergence, convergence, divergence and other irregular patterns and trajectories that are rooted in real historical time” (Boschma and Martin 537). Thus, factors that shape the development need to be considered in their historical context when discussing transformation processes in industries. According to Gong and colleagues, transformation processes are marked by the following four stages: (1) pre-emergence, (2) emergence, (3) industry formation/transformation and (4) outcomes (527). In the pre-emergence stage, the existing preconditions such as supplier capabilities and institutional structures are indicative of an industry’s transformation capabilities (Gong et al. 527). In the emergence stage, actors develop strategies to utilise these pre-conditions or determine in how far additional resources are needed to advance new endeavours within the industry (Gong et al. 526). In the third stage, the industry formation/transformation stage, change is actively taking place and advances towards a new development stage are made (Gong, et al. 526). However, to make this possible, the transformation process needs to be legitimised on the local level (Gong et al. 526). This might occur through institutionalising processes or gaining acceptance by the local community impacted by the industry (Gong et al. 527). As a last step, outcomes of the transformation manifest, showing if the transformation process was a success or failure (Gong et al. 527). A success is marked by industries reaching new development outcomes and the emergence of dynamics that reinforce the transformation such as the development of new standard practices within the wider industry network (Gong et al. 527). This model shows how transformation is a lengthy process that occurs in stages. Yet, preconditions are one of the main factors determining the ability of industries to adapt to change. This points to the fact that differences in preconditions are often the reason why industries are able to respond to transformation processes to varying degrees.

The Role of Agents in Path Creation

While industry transformation processes are composed of different stages, the factors facilitating change should first be identified. Economic agents, meaning individual entrepreneurs, investors, intermediaries or firms, are equipped with the “creative capacity” to develop transformation ideas for industries (Boschma and Martin 537). Therefore, economic agents often function as catalysts of industry transformation processes. It is important to highlight that regional precondition, meaning established industry structures, practices, institutional regulations, natural assets, as well as supporting structures in place (Trippel et al. 189), can function as indicators of the transformation potential of an industry. In fact, a study discussing the literature on emerging industries found that institutional frameworks play a key role in defining emergence processes as favourable regulations drive industry formation (Gong et al. 525). Hence, existing regulations and industry structures are points of analysis within the EEG approach. However, “favourable pre-existing structures do not automatically” guarantee successful industry transformations (Trippel et al. 190). Rather, it is the ability of actors to utilise these preconditions to drive transformation that determine the success of industry transformation processes (Trippel et al. 190). Transformation is hence partially driven by agents’ will to transform an existing industry. To do so, actors need a deep understanding of an industry as well as access to relevant information, allowing them to establish structures supportive to innovation processes (Boschma and Martin 537). EEG thus highlights that it is not technological change alone that drives development but moreover the role of agents and institutional structures.

As a result of agents actively contributing to industry changes, path dependencies, over time, arise which define the development trajectory of industries. The concept of path dependencies posits that continuous development processes stem from the legacy of previous transformation processes within an industry (Martin and Sunley 399). For example, “structure or technology may generate its own self-reinforcing processes that ‘lock-in’ that structure, development path or technology”

(Martin and Sunley 407). Thus, the concept of path dependency discusses how changes on the local level, such as the introduction of new technology, impact development opportunities of an industry. It is for this reason that EEG stresses “the importance of context, contingency and history in the economic process” (Martin and Sunley 403). Thus, path dependence reveals that possible development trajectories are often place-dependent, not a universally applicable concept for an industry, as the specific context that firms operate in matter.

However, in certain circumstances it is not desirable or feasible to continue on previously defined development paths. For instance, with today’s unsustainability crisis, firms need to develop new sustainable practices to respond to this issue and are forced to restructure their operation systems. The creation of new development strategies is a core concept in the EEG literature, defined as path creation (Garud et al. 770). Here, past practices are consulted to estimate insofar transformation is feasible. Therefore, path creation entails both a “retrospective and prospective” perspective to actuate the development of new transformational processes (Garud et al. 770). When it comes to the introduction of environmentally friendly practices in manufacturing, for example, sustainable practices such as recycling have been introduced to reform the industry (Trippel et al. 189). However, it is up to the manufacturers and other actors involved in the production of a product to consult past production practices and evaluate the viability of a transformation. Institutions shape these processes to a significant degree. The introduction of innovation policies in particular are capable of triggering sustainable shifts, as they not only provide “momentum for new industries via support instruments, but also . . . [disrupt] old, non-renewable industries, thereby reducing their value and/or competitiveness” (Trippel et al. 195). Yet, policy innovation is only possible if policy makers obtain the necessary knowledge to make informed decisions. Therefore, other organisations, such as think-tanks and universities, also play a key role in meaningfully advising policy makers (Trippel et al. 191). Political actors can also affect the development potential of industries. However, if a firm lacks high supplier capabilities and the relevant knowledge, it is nonetheless near impossible to

facilitate green path creation (Tripp et al. 1991). Path creation is hence only possible if firms are equipped with the tools to proactively shape its development trajectory. The practical attraction of the EEG approach is in that it can synthesise all of these factors to delineate the developmental trajectory of an industry; for this reason, it is consulted in this thesis.

3. Methodology

Methods in Research

There are two types of research methodologies pertinent to this thesis: quantitative and qualitative methodologies. Quantitative methods are applied when close-ended research questions are posed, whereas qualitative methods are applied when research questions are more open-ended (Creswell and Creswell 3). Quantitative methods entail “counting and measuring” (Gillham 9). They are applied in explanatory research where hypotheses are tested and the aim is to detect correlations between appropriate variables (Leavy 87). In this thesis, quantitative methods are appropriate, as trade data is consulted to elaborate Sri Lanka’s role in the apparel GVC. Further, survey and statistical studies will be referenced, which are also considered main sources in quantitative research (Yin 298). However, as the thesis seeks out to understand the impact of the SDGs on Sri Lanka’s apparel industry, quantitative methods do not entirely offer the tools necessary to discuss what affects sustainable practices in the industry. Therefore, qualitative methods will also be applied. Qualitative methods are “essentially descriptive and inferential in character” (Gillham 10). They are applied when the complexities of the studied phenomena require interpretation and appreciation for nuance (Orum et al. 17). In its nature, qualitative research is often descriptive, trying to gauge the subjective experiences of actors and processes pertinent to a research topic (Leavy 124). As this thesis aims to understand Sri Lanka’s

position in the apparel GVC as well as the introduction of the SDGs in connection to sustainable industry practices, both quantitative and qualitative methods will be applied.

Both quantitative and qualitative methodologies can be simultaneously deployed, which is referred to as the mixed-methods approach. The mixed-methods approach is pragmatic and prioritises “the research problem and using methods and theories instrumentally, based on their applicability” (Leavy 186). It is for this reason that this approach often integrates various types of data and methods from quantitative and qualitative research to penetrate the topic (Creswell and Creswell 4; Yin 304). The mixed-method approach, also described as “problem-centred approach”, is particularly helpful when investigating complex phenomena (Leavy 164). As various types of data will be consulted to discuss the complex nature of the move towards greater sustainability in Sri Lanka’s apparel GVC, a mixed-methods approach is appropriate. For instance, cross-referencing trade data, industry reports and the EEG approach to map out the development trajectory of the industry as well as analysing insofar economic, social and environmental upgrading. Moreover, the SDGs and Sri Lanka’s policy response will be examined to understand how firms incorporated sustainability into their business structures.

Triangulation

Triangulation, another form of pertinent mixed method approach, stresses that a variety of data, theories and methods could be essential in the analysis of complex problems (Carter et al. 545). Within the framework of triangulation, a minimum of three different approaches, such as data sources, methods, theories, etc, are necessary to accomplish a well-rounded understanding to the case in question (Yin 87). Triangulation therefore attempts to uncover blind spots that using only one approach might miss and stresses using different approaches to identify unknown connections.

Triangulation originates in surveying: “if one knows three related measures in a triangle (e.g. two angles and a distance) one can calculate the other distances and angles” (Oppermann 142). For instance, applying solely the GVC approach in this thesis would not suffice, as it is unable to fully uncover the complex nature of sustainability problems in a globalised industry such as apparel. Therefore, applying triangulation as a methodology is of great importance. The three main types of triangulations are: data triangulation, theory triangulation and methodological triangulation, with data triangulation being the most prominently used variant (Yin 87). As each provides a different answer to the same question, triangulation offers a more multifaceted understanding of a topic (Patton 1192). Although using different approaches might result in different results, this should be appreciated as a strength because it enables researchers to infer nuances, ergo draw more accurate conclusions (Patton 1193). As this thesis utilises a myriad of different theories and data sets, triangulation is a pragmatic tool to shine a light on the complexities inherent in the study of sustainable development and apparel.

The Case Study

In this thesis, Sri Lanka is a case study to analyse in how far the development history and previous sustainability projects influence the ability of apparel manufacturers to respond to the introduction of the SDGs. The case study approach is one of the most prevalent forms of qualitative research (Orum et al. 17). A case study can be defined as an “in-depth, multifaceted investigation, using qualitative search methods, of a single social phenomenon” (Orum et al. 2). Gilham defines a case as “a unit of human activity embedded in the real world” and the case study aims to answer specific questions in the complex context in which it operates (Gilham 1). For this thesis, the Sri Lankan apparel, development opportunities within global apparel production networks and the introduction of the SDGs are that complex context.

Case studies are particularly useful when no nomothetic principles frame the subject matter (Gammelgaard 910). As the SDGs were introduced only in 2015 and studies on their impact being few in number, as established in the literature review section of this thesis, a case study on Sri Lanka's apparel industry is appropriate to identify what affects the ability of apparel manufacturers to respond to the SDGs. Surveys, experiments, interviews and reports are common in qualitative research (Yin 7). Relevant examples of these types of qualitative research will be utilised to trace Sri Lanka's development trajectory as well as its relation to sustainable development. Specifically, Sri Lanka's policy response since the introduction of the SDGs is of central weight in this thesis, as are industry reports, corporate social responsibility reports of firms and sustainability strategies. Combining multiple types of data and applying quantitative and qualitative methods is a key characteristic of case study research (Orum et al. 2). As such, case study allows for a holistic approach when studying complex social systems (Orum et al. 8). This holistic sensitivity to complex social relations and economic processes is especially valuable in an evaluation of the impact of the SDGs in Sri Lanka's apparel industry.

Path Tracing

In order to discern the motives of actors that shaped Sri Lanka's development in the apparel industry, path tracing will also be applied. Here, a path is defined as "a temporal sequence of events, . . . the course of direction in which . . . a region or an industry in a region is moving" (Sotarauta and Grillitsch 3). The aim is to "understand why and how paths evolve and actors' role in directing them" (Sotarauta and Grillitsch 3). Periods are differentiated by identifying key events and critical junctures that led to a noticeable change (Sotarauta and Grillitsch 7). In this thesis, different phases will be demarcated by utilising the EEG approach and main changes during each phase will be identified through the GVC approach. In path tracing, it is assumed that human agency shapes these paths to a significant degree, which is why policies and actions are also

studied closely (Sotaurta and Grillitsch 3). Therefore, key agents and their motives have to be identified for different development stages and how they impelled change. Sotarauta and Grillitsch find that narratives “essentially provide information on how actors see the world, how they perceive opportunities and limitations, and how they motivate their actions” (9). Hence, getting an understanding of the narrative the relevant actors create and believe are important, as they shape their actions. In this thesis, path tracing, and the pertinent actors and factors, will be limited to those that affect development, particularly in regard to the creation of a sustainability narrative in the Sri Lankan apparel industry.

Research Strategy

Now that the main methodologies have been elaborated, their interconnections need to be explained. The main theories informing this paper are the GVC approach and evolutionary economic geography. Trade data, policies and industry reports constitute the primary data for this study, as well as (secondary) interviews, CSR of firms and the UN’s SDG progress tracker will be consulted. Through the application of triangulation, underappreciated nuances in Sri Lanka’s sustainability trajectory within the apparel GVC should be revealed in the case study. To achieve this, the stages in Sri Lanka’s development path since the integration into the world economy between the 1970s until 2019, the year before the Covid-19 pandemic, will be traced. In addition, path tracing will be used as a tool to identify the relevant actors, their motives and ability to shape transformation processes.

4. Defining Sustainability: The Role of the UN

As this thesis focuses on sustainability in the apparel industry and the UN's Sustainable Development Goals, the concept of sustainability needs to be defined. Scoones finds that the term 'sustainability' was first used in the 18th century, referring to sustaining the longevity and health of forests (590). Hence, the term sustainability has always denoted a for environmental protection and long-term well-being. However, it was in the mid-20th century that the term sustainability came to communicate its contemporary meaning. In the 1960s and 1970s, the environmental movement arose and criticised aspects of economic development in the developing countries which resulted in negative side-effects for the local flora and fauna (Adams 2-3). Moreover, activists stressed that global leaders needed to take action to protect the earth's natural resources for humanity's protection against the dangers of climate change. Hence, the initial understanding of sustainability has transitioned from not only the preservation of the environment but also to include its protection.

The ideas of said activist groups influenced global actors, such as the UN, who developed the World Conservation Strategy as a response in the 1980s. It was within this strategy on environmental protection that sustainable development was first coined, through considerations of environmental protections and how to safeguard human welfare (International Union for Conservation of Nature and Natural Resources I). In 1987 the World Commission on Environment and Development (WCED) published a report, titled 'Our Common Future'. Today, this report is known as the Brundtland report, after the chair of the commission Gro Brundtland. The report begins by stating that its primary goal was to offer a 'global agenda for change' and develop strategies for achieving sustainable development (World Commission on Environment and Development). Hence, the Brundtland report defines sustainability as a key element in the UN's agenda as early as the 1980s. In the report, sustainable development is defined as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (World Commission on

Environment and Development). This has fundamentally reconceptualised the concept of sustainability and sustainable development. Following the publication of the report, a number of papers emerged in academia and political circles, but also in various industries, NGOs and activist groups, critically discussing the concept of sustainability and its role in future strategies (Scoones 590). During the UN's 1992 Rio conference, these different actors convened to discuss the future of development. The prominence and importance of sustainable development was solidified. As Scoones explains, this event marked "the coming of age of sustainability and sustainable development" (591). In the 1980s, the UN redefined the concept of sustainable development and popularised it through reports and global agendas. Therefore, the UN can be identified as a key agent affecting our contemporary understanding of sustainable development.

In order to be fully able to understand the changes that the conceptualisation of sustainable development brought, the definition of development should also be considered. At its core, development aims to raise socio-economic conditions to their best possibility (Goulet 467). Hence, development focuses on system changes to actuate positive effects. In order to achieve development, it was understood that improvements in the production capacities of economies in developing countries needed to be undertaken, as it was believed that the lives of people in developing countries would improve as an immediate consequence (Fukuda-Parr 45). Hence, initial definitions of development stressed the interdependence of economic growth and improvements in the social realm. This stand-point, however, disregards that economic growth does not always facilitate wider improvements. As Goulet stresses, growth is not always positive, as it can also be "irresponsible, inequitable, destructive, and worsens the lot of poor people" (469). As the impact of development programmes focusing on economic growth are thus debatable, Goulet concludes that development is an "ambiguous term and an ambiguous practice" (467). Hence, making economic growth the centre-point of endeavours that strive to achieve development can be viewed as flawed.

However, with the introduction of the concept of sustainable development, the concept of development was re-conceptualised to widen its focus beyond economic growth. While sustainability stresses the need to protect the environment, sustainable development postulates that development projects need to consider their impact on the environment in order to make development sustainable. Sustainable development aims to balance economics with environmental protection (Nogueira 130). However, critics state that “the term is at the same time superficially simple and yet capable of carrying a wide range of meaning and supporting sometimes divergent interpretations” (Adams 4). Thus, a main criticism of sustainable development is its ambiguous nature, allowing actors to utilise the rhetoric of sustainability while pursuing ulterior goals. As Adams highlights, it “suggests radical reform without actually either specifying what needs to change or requiring specific action” (Adams 5). Furthermore, Adams adds that the term sustainable development allows “users to make high-sounding statements with very little meaning at all” (5). Likewise, Redclift argues that the terms sustainability and development are contradictory (698). The concept of sustainable development is no doubt complex, as it postulates that furthering economic growth and a better life as well as the protection of the environment are simultaneously achievable if considered carefully. Nevertheless, the ambiguity of the term shouldn’t be dismissed.

Despite awareness of sustainable development rising as a result of the UN propagating its global importance in 1992, economic growth without regard for the impact on the environment remained the norm. However, the limitations of burgeoning economic growth became quickly evident. In fact, it was found that in 2013, “1.7 Planet Earths would be required to sustain the economic system in place” (Nogueira 131). The reliance on the world’s natural resources was identified as the key cause of this. It is for this reason that the UN hosted the United Nations Conference on Sustainable Development in Rio de Janeiro in June 2012. In the outcome document on the conference, the commitment of the UN to the “promotion of an economically, socially and environmentally sustainable future” is expressed (United Nations, “The

Future We Want” 1). In the report, sustainable development is conceptualised as entailing the three interdependent axes of the economic, the social and the environmental as well as what practical strategies are needed for effective implementation of sustainable policies. While stressing that a variety of approaches are suitable to make advancements towards sustainable development, the report highlights the importance of construction green economy approaches through the introduction of policy guidelines (United Nations, “The Future We Want” 14-18). Here, the UN emphasises the need for the economy to abandon its business-as-usual approach and to align itself with sustainable development, especially environmental protection. The UN Conference on Sustainable Development in Rio de Janeiro should therefore be regarded as a milestone in the history of sustainable development, by putting sustainable development centre-stage, decades after the concept was first popularised. Moreover, this conference elevated the moral imperative of sustainable development, while advocating that all three dimensions of development must be strived for.

The 2012 conference also marks the starting point of the development of the Sustainable Development Goals, meant as a new global agenda. Members from both developed and developing countries, represented by actors, such as national governments and various stakeholders, convened to advance a shared strategy for a common sustainable future (Fukuda-Parr 46-47). The SDGs were to replace the Millennium Development Goals (MDGs), which were promoted by the UN and its partner countries in 2000 and were aimed to be achieved by 2015.

Here, it is useful to reflect on the aims of the MDGs in order to grasp how far the SDGs function to widen the breadth of development. The MDGs were introduced in 2000 and outlined the UN’s development agenda to be achieved by 2015. The main focus of the MDGs was the elimination of global poverty and hunger through eight different goals established by the UN (United Nations, “MDG Report 2012” 4). As

Fukuda-Parr finds, the MDGs were formulated as a development aid programme, setting the focus for facilitating developmental gains in developing countries (44-45). However, with its primary focus being reducing extreme poverty, it can be argued that the MDGs failed to address other pressing issues at the time, such as the environmental crisis. Therefore, MDGs failed to address underlying systemic issues that hindered development and climate protection, first and foremost through disregarding power relations inherent in the globalised economy which impact developing countries (Fukuda-Parr 45-46). The MDGs therefore signify a narrow conceptualisation of development, focusing too heavily on the improvement of economic and social standards in developing countries.

The SDGs: A New Approach to Sustainable Development

The SDGs were formulated as a response to the shortcomings of the MDGs by stressing the need to incorporate environmental protection. They officially came into force in 2015 and inaugurated a new sustainable development agenda to be achieved by 2030. These SDGs symbolised a “new coherent way of thinking about how issues as diverse as poverty, education and climate change fit together” (Nilsson et al. 320). In this framework, economic, social and environmental goals are prioritised with a strong awareness of their interdependency. Moreover, the SDGs also mark a shift in our understanding of development: it is no longer the task of individual countries but rather has been reframed as a global responsibility requiring cooperation (Gore 719). Therefore, the SDGs emphasise that in today’s globalised world, the repercussions of a country's actions are not isolated but are a result of interdependent global structures. Hence, both developed and developing countries need to realise appropriate changes and cooperate to ensure a more sustainable future. In total, there are 17 SDGs with 169 targets and 232 indicators (Our World in Data). Not all of the goals and targets are

measurable or concrete but each point to a desired global future of trans-national cooperation (Fukuda-Parr 49). All in all, the SDGs mark a departure from the narrow focus in the MDGs, widening the UN's global agenda towards striving for sustainable development. The hope is that these broad goals outlined facilitate enough change for a greater transformation of existing systems by focusing on the economic, social and environmental dimension of development.

Applying the SDGs In a National Context

The SDGs are an ambitious project that demands global cooperation in order to achieve these complex goals in 15 years. In order to measure progress towards achieving the SDGs, and facilitate national and regional comparisons, the UN developed the SDG index. This index summarises various indicators of the achievements of goals and targets, allowing for the evaluation of a country's progress (Kynčlová 2). When comparing national achievement of the SDGs, it is evident that developed countries are much closer to achieving the goals than developing countries. For instance, according to the UN's SDG Index, Denmark was the country closest to achieving the SDGs whilst the Central African Republic was at the bottom of the list in the year 2019 (Sachs et al. 20-21). When conceptualising the SDGs, it was specifically developing countries that were against strict monitoring and evaluation schemes, as a broader formulation aids developing countries to implement the SDGs within their own unique national setting (Nilsson et al. 321). As can be seen in the Sustainable Development Report 2019, developing countries did achieve varying degrees of progress, whereas developed countries are still far from achieving all SDGs (Sachs et al. 24-36). Nevertheless, both developed and developing countries are making gains in the campaign to realise sustainable development. The SDG Index thereby functions as a successful tool for compelling progress of individual countries as well as for making comparisons.

While SDG implementation on the national level might come with its obstacles, the SDGs can nonetheless be viewed as a helpful guideline for developing countries to pursue sustainable development. As this thesis focuses on Sri Lanka, a country in South Asia, the importance of the SDGs for this area will be explained. Overall, in regards to development achievements, South Asia stands out within Asia with the fastest economic growth rate (Kumar et al. 20). Yet, South Asia is still also beset by poverty and inequality. For instance, the subregion still “represents the largest concentration of poverty and hunger in the world” (Kumar et al. 7). Infrastructure, urban landscapes and inclusion can be identified as areas of underdevelopment that national actors are cultivating development strategies for (Kumar et al. 9). Hence, while the economic growth rate is high, advancements in the social and environmental realm are needed. It is important to highlight that South Asia is a diverse region and countries vary in regards to their level of development, economic structure and regional challenges (Kumar et al. 7). Every country is of course unique; however, much of these difficulties also apply to Sri Lanka. The advantage of the SDGs for Sri Lanka is that the goals encompass more than economic growth, encouraging actors to assess and implement beneficial changes in Sri Lanka.

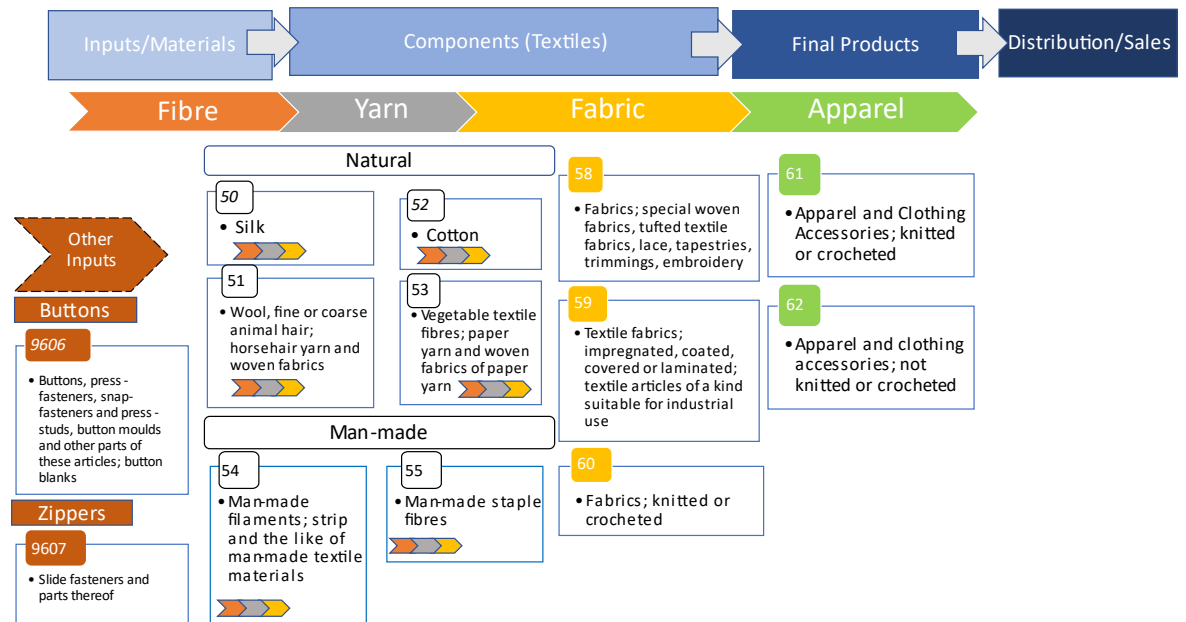
5. Analysis and Discussion

Mapping Sri Lanka's Footprint in the Apparel GVC

The Supply Chain in the Sri Lankan Apparel Industry

As discussed in the theory chapter, the first step in the GVC approach is to map out a country's role in the according GVC. As this thesis focuses on Sri Lanka as a manufacturer in the apparel GVC, it is important to understand the supply chain of the apparel industry in order to gauge where in this chain Sri Lanka predominantly operates. According to Fredrick, the main structure of the apparel GVC map consists of four key stages: (1) inputs/materials, (2) components (textiles), (3) final products and (4) distribution/sales (32,35). It is important to underscore that manufacturing as a whole is a low-value activity in the GVC (Fernandez-Stark, et al. 12). Nevertheless, what developing countries hope to gain from integrating into global production networks is development opportunities (Milberg and Winkler 19). Hence, countries, such as Sri Lanka join the apparel GVC. Below, the apparel supply chain is represented. Each of the stages are linked through arrows to show how they are connected and to highlight that value is added at every stage (Fernandez-Stark, et al. 56). The lowest value-adding activity in the apparel supply chain is inputs/materials, while final products as well as distribution/sales constitute the highest-value adding activities. The higher the manufacturing activity is in the supply chain, the higher the capabilities of suppliers have to be in order to be able to fulfil the tasks necessary for the production step.

General Structure of the Apparel Supply Chain



Data source: *UN Comtrade*, October 2022; graph: created by the author

The graph represents the different stages of apparel production and the corresponding value at each stage of activity. Products created during each manufacturing process incrementally adds value, which can be seen under the main activity in the graph. “Inputs/Materials” in the apparel GVC describe “Fibre”. The stage “Components (Textiles)” represents “Yarn” and “Fabric” inputs. Lastly, the stage “Final Products” covers the category of “Apparel”. “Other Inputs” denotes a supporting industry stage outside of the textile category and additional elements that may be added to certain items of clothing. As such, certain industries that are not part of the apparel GVC might contribute to the creation of an apparel product (Frederick 32).

In order to be able to trace the trade flows of the different input products, and identify a country's role in a GVC, it is helpful to populate the supply chain with trade codes. As discussed in the theory chapter, HS codes are widely considered to be the most suitable form of trade data, as they are linked to tariffs and offer a greater amount of detail compared to other trade data (Frederick 34). The apparel supply chain was therefore populated with HS codes as a next step. The 2-digit level was chosen, as it gives a general overview about the (input) product category. Even though the codes 50 to 63 cover textiles in the HS system (UN Comtrade), this graph only includes the codes 50 to 62 with the exception of 56 and 57. These are not considered to be significant for the production of new apparel. The reason for that is that HS code 56 covers fill material such as wadding and felt, while HS code 57 covers textile floor coverings and carpets, which are both not essential when looking at apparel manufacturing (Foreign Trade). The same goes for HS code 63 which covers worn clothing and rags such as blankets, curtains and linen (Foreign Trade), none of which are pertinent. In the category of "Other Inputs," buttons and zippers are listed as exemplary inputs which are presented on the 4-digit level. One issue that has become apparent when creating the graph for the apparel supply chain is the fact that the chapter codes 50 to 55 include inputs that cover all three categories of "Fibre," "Yarn" and "Fabrics". In order to visualise this, a colour-coded row of arrows has been added to each chapter code in the categories 50-55. A further differentiation has been made between "Natural" inputs, which are covered by HS chapter codes 50 to 53 and "Man-made" inputs, which are covered by HS codes 54 and 55. As the graph above reveals, a variety of actors with different supplier capabilities are necessary to create garments because the necessary input factors include fibre, yarn, fabric and apparel.

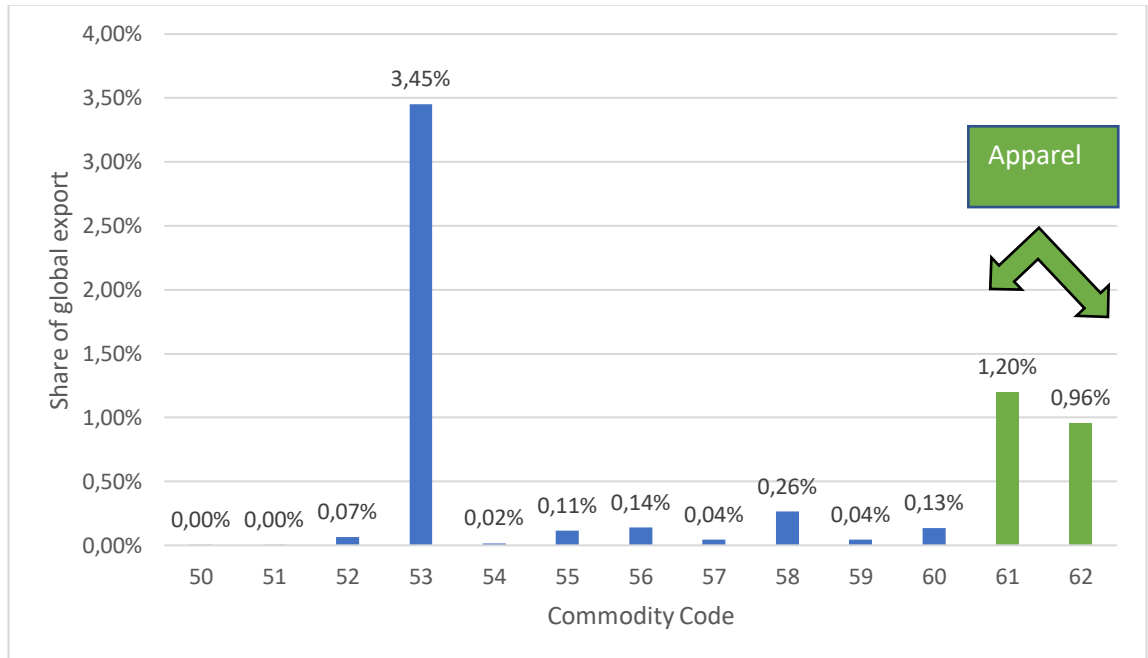
Sri Lanka's Role in the Apparel GVC in 2014-2019

To identify the above-mentioned manufacturing steps Sri Lanka is most heavily involved in, the relevant HS codes can be utilised to measure Sri Lanka's share in global exports in textile and apparel. By using HS chapter codes (the 2-digit level) 50 to 62,

except for codes 56 and 57, this trade data can be found on UN Comtrade's database. The years 2014, a year prior to the SDG introduction, 2017, two years after their introduction, and 2019, as the most recent year before the outbreak of the Covid-19 crisis that disrupted the global economy and trade, need to be examined to trace how the introduction of the SDGs had affected Sri Lanka's apparel exports.

In 2014, the share of global exports in input factors relevant for the production of apparel, HS codes 50 to 60, was low with a share of less than 1% for each chapter code. The exception was input factors covered under HS code 53. In fact, the input group "vegetable textile fibres; paper yarn and woven fabrics of paper yarn" (HS code 53) marked the highest share of Sri Lanka's total textile-related exports with a global market share of 3,45%, as shown in the graph below. However, it is important to note that under the 4-digit level HS code 5305, coconut and abaca (Foreign Trade). Sri Lanka is one of the global lead exporters of coconut fibre, which is used for construction, ropes, mattresses, insulation and the like (Ali 189, 197). As this is not relevant for textile and apparel production, HS code 53 will be henceforth disregarded. The chapter codes 61 and 62 mark the second and third highest global share of Sri Lanka's textile and apparel trade, with chapter code 61 making up 1,20% and chapter code 62 making up 0,96% of Sri Lanka's share of global exports of products. From this, Sri Lanka's role in the apparel GVC can be inferred: the fact that the highest export numbers are covered under HS codes 61 and 62, meaning apparel, demonstrates that Sri Lanka is involved in producing the final products for which high supplier capabilities are essential. Low export numbers in chapter codes 50 to 60 further stress this.

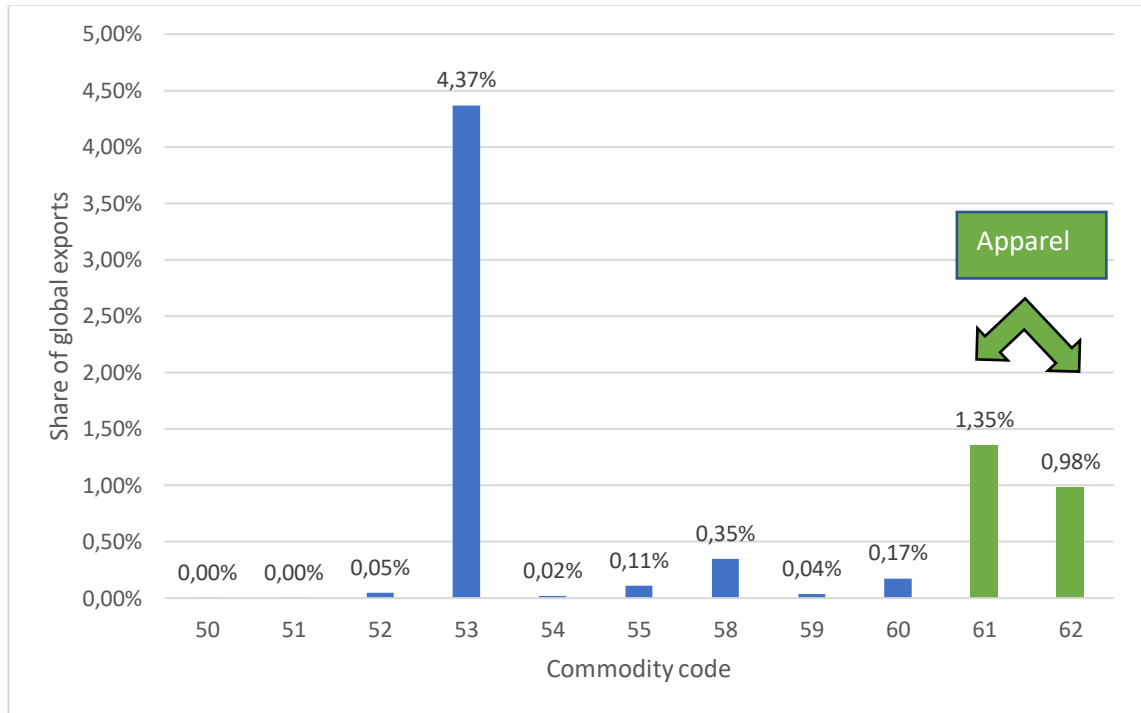
Footprint In the Apparel GVC - Sri Lanka 2014



Data source: *UN Comtrade*, October 2022; graph: created by the author

In 2017, two years after the SDGs were introduced, a similar export structure can be detected. The input factors, HS code 50 to 62, continue to make up less than 1% each in regards to the share of global exports. This still does not include input factors under HS code 53. In apparel, a slight increase in both HS code 61 and HS code 62 are identifiable. Apparel under HS code 61 rose as a share of global exports to 1,45%, while the share of apparel under HS code 62 rose to 0,98%. Within three years Sri Lanka's share of global exports in apparel covered under HS code 61 and 62 dramatically increased.

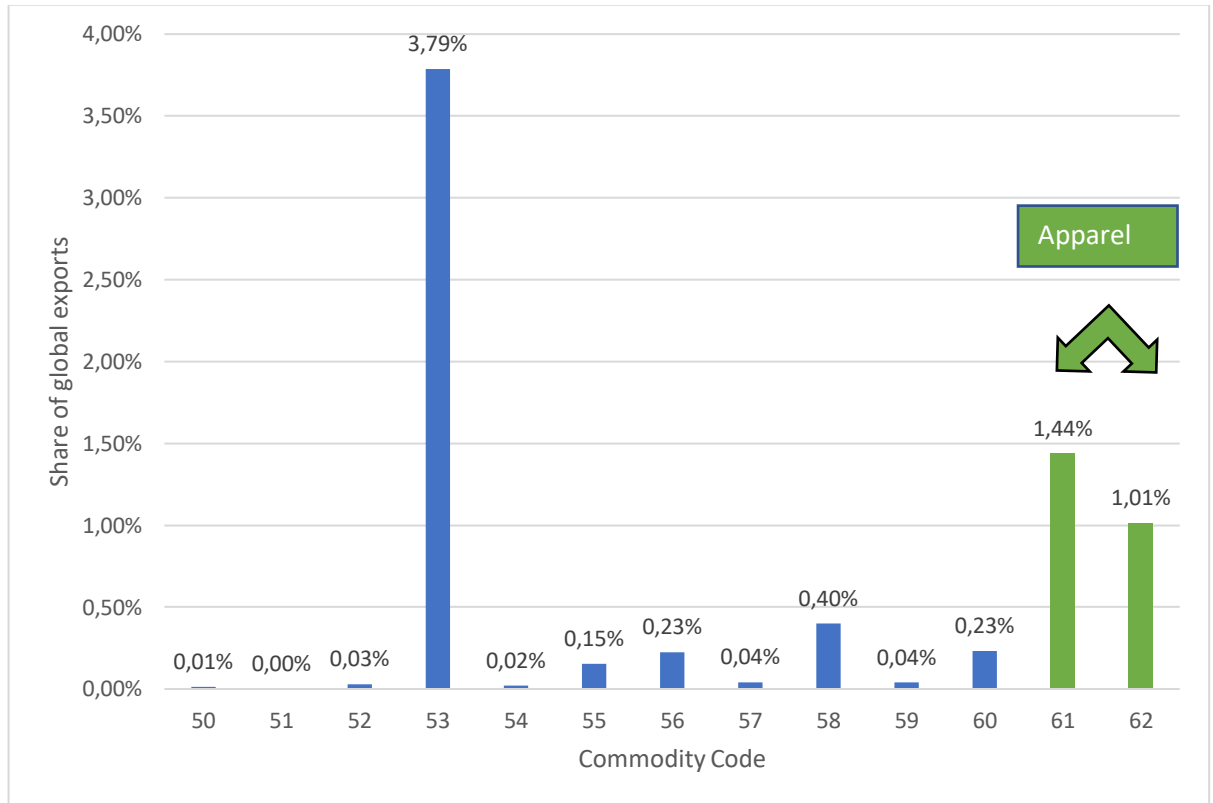
Footprint In the Apparel GVC - Sri Lanka 2017



Data source: *UN Comtrade*, October 2022; graph: created by the author

Lastly, in 2019, this growth trajectory in exports increased. Specifically, HS code 62 made up more than 1,01% of the share of global exports. HS code 62 also further increased to 1,44%. This shows that between the years 2014 and 2019, Sri Lanka was able to increase their share of global exports in apparel for HS 61 and HS 62. This growth rate points towards successful manufacturing capabilities and opportunities for economic growth through participating in apparel production. Furthermore, this illustrates that since the introduction of the SDGs Sri Lanka was able to boost their apparel output. While the trade data does not offer any foundation to assume that the introduction of the SDGs was the cause of this growth, the data nonetheless indicates that the introduction of the SDGs had no negative impact on Sri Lanka's apparel industry. In another section of this thesis, the relation between the introduction of SDGs and how it impacted the apparel industry will be looked at more closely.

Footprint In the Apparel GVC - Sri Lanka 2019



Data source: *UN Comtrade*, October 2022; graph: created by the author

Main Exports of Sri Lanka's Apparel Products and Their Main Destinations

A closer examination should be undertaken regarding the exact product types predominantly produced in Sri Lanka, now that apparel has been established as the country's main export. 2019 was chosen for this as the most recent and relevant year to attain an accurate conception of Sri Lanka's current role in the apparel GVC. By doing so, an understanding of supplier capabilities and lead firm cooperation can be assessed. Depending on the complexity of the products, this also provides the first

hints regarding the level of cooperation between Western lead firms and suppliers in Sri Lanka. Therefore, Sri Lanka's top three apparel export products were identified and can be seen in the table below. To do so, the four-digit level of HS codes was chosen. The findings reveal that Sri Lanka's main export apparel products were women's slips and briefs (HS 6108), with a trade value of roughly 651,84 million US dollar, 13% of its apparel exports. The second highest export product category is female slips and underpants that are knitted or crocheted (HS 6212), covering 12% of Sri Lankan exports. The third highest apparel exports were under HS code 6204, describing female suits, jackets, dresses, trousers, etc. (not knitted or crocheted), which constitutes 11% of its exports. Thus, the top three apparel export products were record in both HS chapter codes 61 and 62.

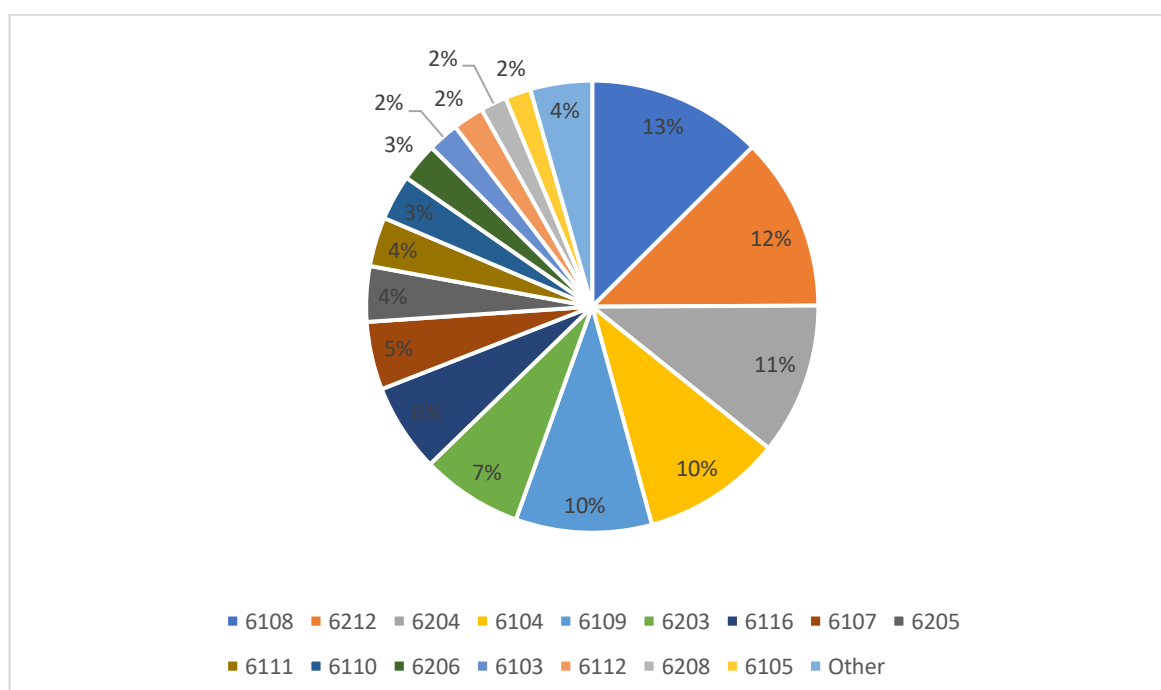
Top Three Apparel Export Products (HS Codes 61 & 62) of Sri Lanka 2019, 4-Digit Level

Commodity Code	Commodity	Trade Value (US\$)
6108	Slips, petticoats, briefs, panties, nightdresses, pyjamas, negligees, bathrobes, dressing gowns and similar articles; women's or girls', knitted or crocheted	651.841.225
6212	Brassieres, girdles, corsets, braces, suspenders, garters and similar articles and parts thereof; whether or not knitted or crocheted	645.758.217
6204	Suits, ensembles, jackets, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts (other than swimwear); women's or girls' (not knitted or crocheted)	564.051.362

Data source: *UN Comtrade*, October 2022; graph: created by the author

When considering the total export numbers for Sri Lankan apparel exports in 2019, the above-mentioned top three each aggregate to more than ten percent. As can be seen in the graph below, Sri Lanka's apparel manufacturing focuses on complex products. While a number of different products were produced, the concentration on women's wear and apparel made out of knitted or crocheted material is indubitable. In the graph, apparel products that made up less than 1% of Sri Lanka's apparel exports were summarised in the category of "Other". The fact Sri Lankan apparel manufacturers mainly export complex products indicates that manufacturers have developed high supplier capabilities necessary for the production of female productions, specifically female underwear. As complex products also suggest a higher degree of information exchange with lead firms, this also implies close relationships to Western firms.

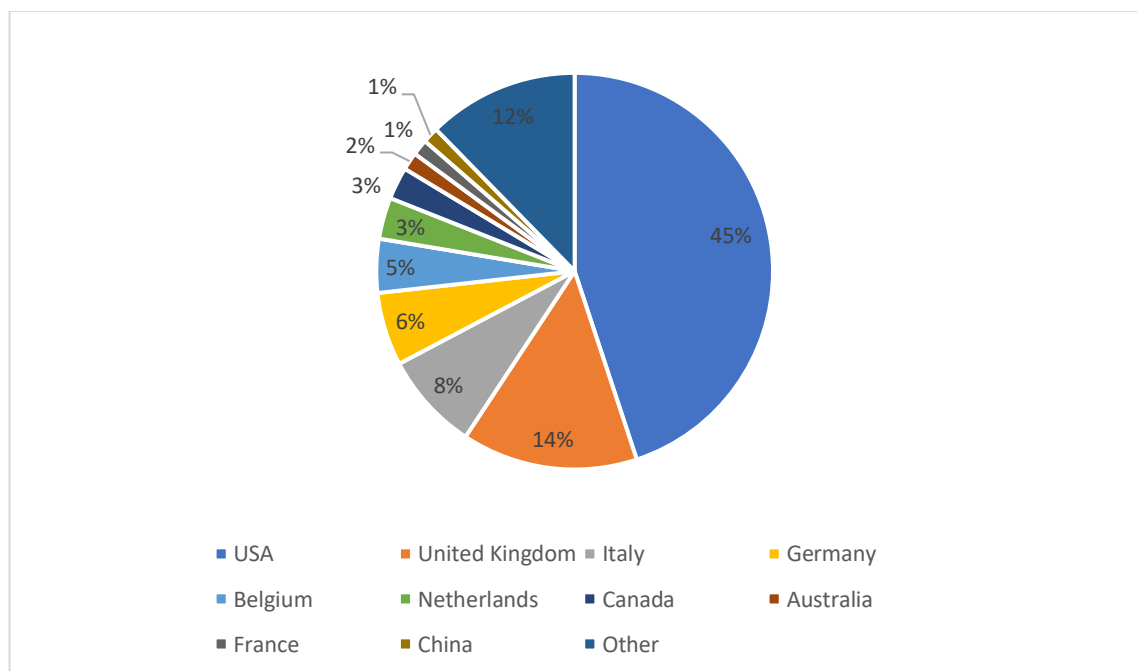
Apparel Exports Sri Lanka 2019, 4-Digit Level



Data source: *UN Comtrade*, October 2022; graph: created by the author

After establishing that Sri Lankan manufacturers specialise in producing female underwear, the end markets will be analysed next to determine where lead firms are located and the extent Sri Lanka is dependent on particular markets. To achieve this, the top ten end markets were identified through the help of trade data. The findings show that the majority of end markets are located in Western countries. Sri Lanka primarily exports to the USA, which consists of a share of 45%. The other main end markets are located in Europe. Here, the UK end market constitutes the largest share with 17%, followed by Italy and Germany. In the graph below, the top 10 end markets were summarised. Countries that make up less than 1% each for the export destinations were summarised in the category of “Other”. Typical for the apparel industry, the majority of the end markets are located in the Global North, suggesting that the majority of lead firms are also located there. Moreover, this illustrates that, while not dependent on a single country, Sri Lanka is dependent on Western buyers, pointing towards a regional dependency in regards to exports.

Apparel Exports from Sri Lanka, 2019 Top 10 End Markets



Data source: *UN Comtrade*, October 2022; graph: created by the author

Import Flows of the Sri Lankan Apparel GVC

To complete the overview of Sri Lanka's role in the apparel GVC, Sri Lanka's imports of input factors will be reviewed under HS codes 50 to 60, except for 56 and 57. By examining the steps before the assembly of apparel, the countries on which Sri Lanka is reliant on in order to produce its apparel products can be identified. Here, the 4-digit level was taken, as it offers a more detailed understanding of the input products to identify the top 3 input exports. As shown in the table below, knitted or crocheted fabrics (6006), knitted or crocheted fabrics of a width exceeding 30cm (6004) and woven fabrics of cotton (5209) are the three main imported inputs in 2019. Fabric imports further evidence that Sri Lanka is primarily undertaking the final steps of the production, converting fabrics into apparel. This provides more evidence that Sri Lanka is specialised on a single step in the apparel industry, relying on others to produce the fabrics which it later imports.

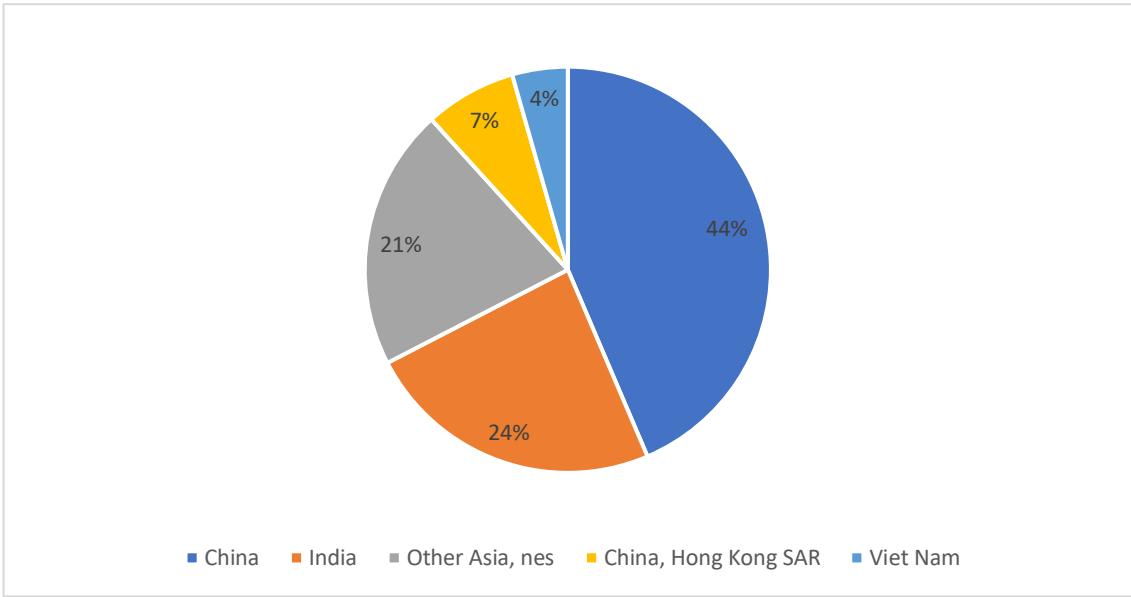
Top 3 Apparel Input Factors in Sri Lanka, 2019

Commodity Code	Commodity
6006	Fabrics; knitted or crocheted fabrics, other than those of headings 60.01 to 60.04
6004	Fabrics; knitted or crocheted fabrics of a width exceeding 30 cm, other than those of heading 60.01, containing by weight 5% or more of elastomeric yarn or rubber thread
5209	Woven fabrics of cotton, containing 85% or more by weight of cotton, weighing more than 200g/m ²

Data source: *UN Comtrade*, October 2022; graph: created by the author

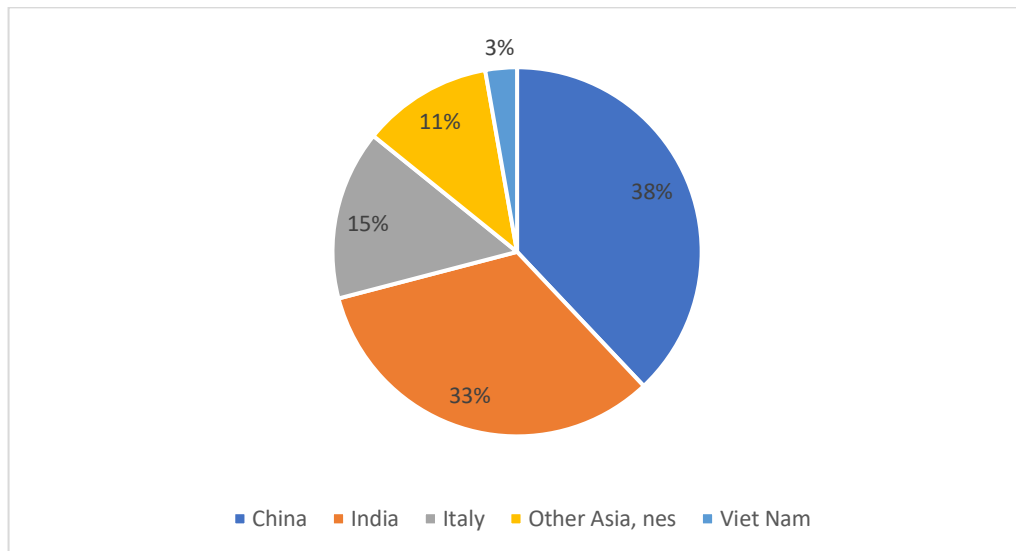
For knitted or crocheted fabrics (HS 6006), 42% of this product was imported from China. However, Taiwan (24%) and India (18%) are also important suppliers of knitted or crocheted fabrics. The second biggest imported input factor, knitted or crocheted fabrics of a width exceeding 30cm (6004), emphasises a dependence on similar markets. Once again, China (38%) and India (33%) can be identified as main suppliers. Likewise, in 2019, the countries from which Sri Lanka imported woven fabrics of cotton (HS 5209) was primarily China (39%), followed by India (30%) and Pakistan (25%). The dependence on Asian countries, particularly China and India, is evident. This provides more supporting evidence to strongly demonstrate that Sri Lanka’s primary function in the apparel GVC is the manufacturing of complex goods.

Top 5 Countries that Import "Fabrics; knitted or crocheted" (HS6006) from, 2019



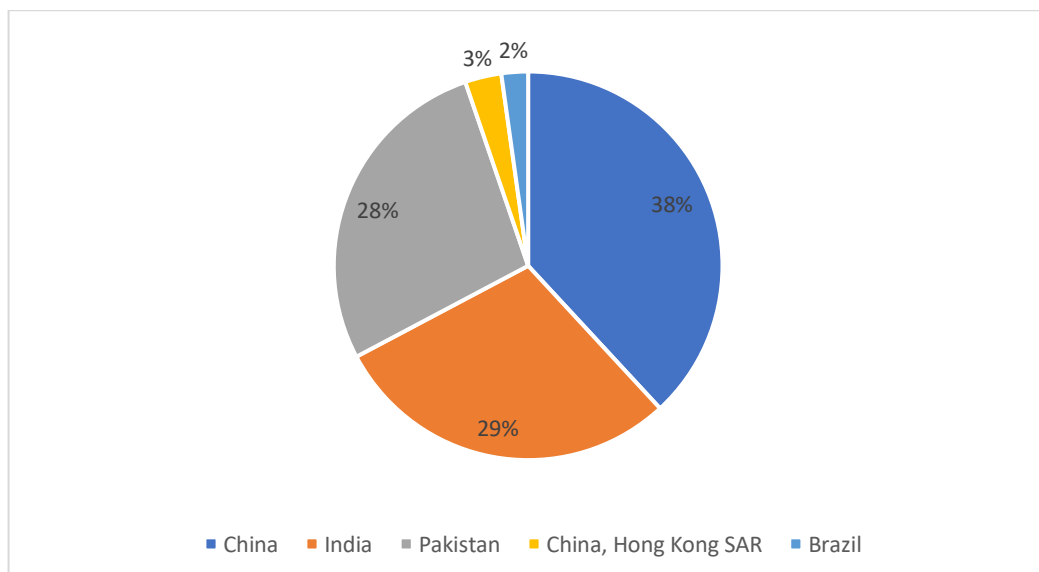
Data source: *UN Comtrade*, October 2022; graph: created by the author

Top 5 Countries that Sri Lanka Imports "Fabrics; knitted or corched (HS6004) from, 2019



Data source: *UN Comtrade*, October 2022; graph: created by the author

Top 5 Countries that Sri Lanka Imports "woven fabrics of cotton" (HS5209) from, 2019



Data source: *UN Comtrade*, October 2022; graph: created by the author

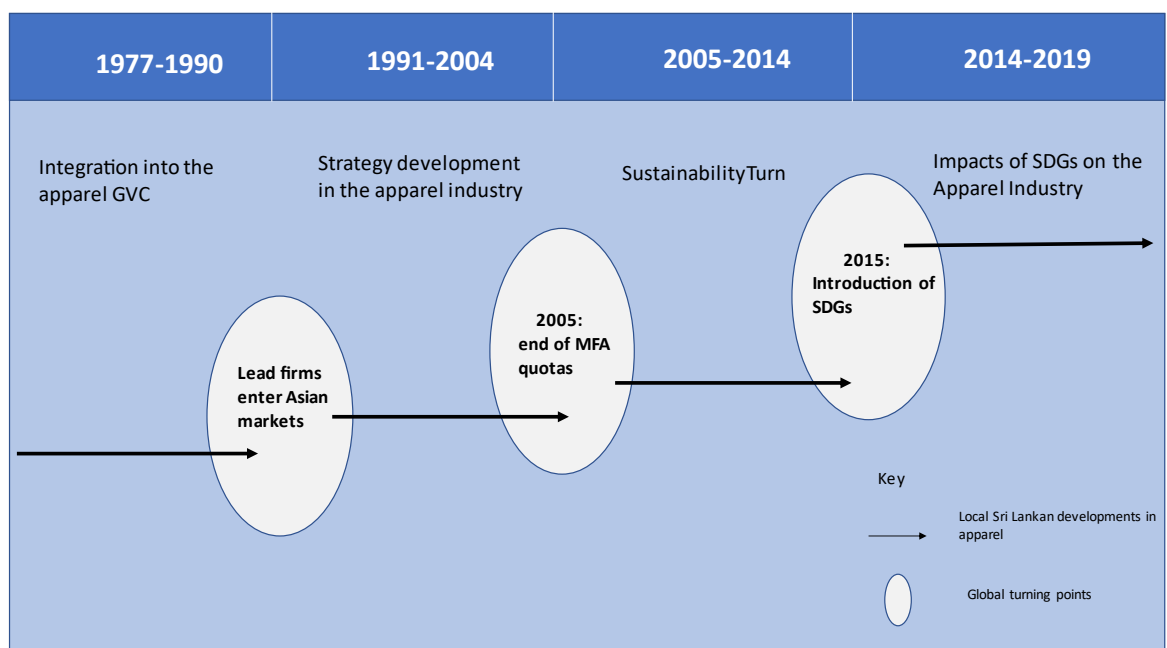
The History of Sri Lanka's Integration into the Apparel GVC: Phases, Socio-Economics Successes and Controversies

Today, Sri Lanka focuses on producing mainly female underwear, particularly brassieres, which are considered a complex and niche high-value product. This suggests high supplier capabilities and the ability to remain competitive in the apparel GVC. Likewise, Sri Lanka is known as an ethical and green manufacturer, suggesting that the industry has achieved sustainable development to some extent. In order to explain how Sri Lanka obtained this position in the apparel GVC and their sustainable development successes, the historical development of Sri Lanka's apparel industry will be inspected through the analytical frame of the EEG approach to pinpoint different development stages as well as identify the main agents in such developmental processes. The concept of social, economic and environmental upgrading, part of the GVC analysis framework, will be consulted in order to grasp to what extent the integration into global apparel production brought positive local change, in doing so, making advancement towards greater sustainable development. With this in mind, Sri Lanka's response to the introduction of the SDGs and insofar these goals facilitated upgrading will be critically assessed.

Four different development stages shaping Sri Lanka's development trajectory between 1977 and 2019 can be identified. Each stage represents large global challenges that actuated change within the global apparel GVC, consequently shaping Sri Lanka's apparel industry on the local level. In the graph down below, changes on the local Sri Lankan level are illustrated through arrows and larger global changes are illustrated through ellipses. The following four phases were identified and will be looked at more closely in the following sections: (1) 1977-1990: Integration into the Apparel GVC (2) 1991-2004: Strategy Development in the Apparel Industry (3) 2005-2014: The Sustainability Turn (4) 2015-2019: Impact of SDGs on the Apparel Industry. By identifying the unique challenges, responses and adaptation processes that Sri

Lankan apparel manufacturers were faced with over these decades, their adaptation abilities and development strategies will be elucidating. This will provide an integral, explanatory framework to assess emergent industry changes before and in response to the introduction of the SDGs.

Phases of Development in Sri Lanka's Apparel Industry



graph: created by author

1977-1990: Integration into the Apparel GVC

The first identified stage lasts from 1977 until 1990. This stage can be viewed as Sri Lanka's initial integration into the apparel GVC where they first gained experience operating in a globally competitive export-oriented industry. Sri Lanka first started the production of apparel on a local level in the 1960s (Athukorala and Ekanayake, "Working Papers" 10). While this was a localised form of manufacturing, thus not part of the larger apparel GVC, Sri Lankan manufacturers nonetheless gained foundational

experience. In 1977 the state introduced trade liberalisation reforms to stimulate export-oriented production (Arunatilake 488). As lead firms outsourced apparel manufacturing to Asian countries in order to cut costs, the export-oriented policies incentivised Western firms to take an interest in Sri Lanka as an apparel sourcing destination. The year 1977 therefore can be identified as the starting point for Sri Lanka's participation in the global apparel production network. Sri Lanka was the first South Asian country to introduce reforms of this nature (Whitfield et al. 39), marking a greater shift in the strategy of developing countries to begin participation in GVCs. In 1978, a year after the introduction of first liberalisation reforms, the Greater Colombo Economic Commission was founded with the explicit mission to "promote export-oriented foreign investment" (Adikari et al. 2). Soon after, the first successes of these endeavours came to fruition. Only a year later, foreign direct investment inflow reached approximately \$47 million (Adikari et al. 2). This is a positive sign of integration into the apparel GVC, as it suggests an expansion of the local industry. In addition, the Greater Colombo Economic Commission set up Sri Lanka's first export processing zones (EPZs) (Athukorala 197), aiding the establishment of export-oriented apparel manufacturing plants. The first EPZ was set up in the district of Colombo, as it benefited from its proximity to the airport, remaining a key EPZ to this day (Athukorala 197-98). The creation of an EPZ laid the foundations for strategically located manufacturing hubs. However, apparel manufacturing was not limited to EPZ alone. It is for this reason that the Export Development Board (EDB), established in 1979, introduced schemes to support export-oriented firms operating outside of EPZs (Athukorala 198-99). Lastly, "investment protection agreements and double taxation relief agreements with the major investing countries" were introduced (Athukorala 198), highlighting how the introduction of strategic policies was vital during Sri Lanka's initial integration into the apparel GVC. Undoubtedly, the Sri Lankan state played an active role in the integration of Sri Lanka into the apparel GVC. In doing so, the country attracted investors and affected economic growth.

It is important to underscore that Sri Lanka's export number was limited due to global export barriers. The Multi-Fibre Agreement (MFA) was introduced in 1978, imposing restrictions on developing countries in the form of quotas. Its main aim was to protect workers in the apparel industry in Western countries as apparel firms started to outsource the manufacturing process to developing countries to cut costs (Dheerasinghe 34). Thus, development was limited to the kind of T&A products and how much of such products were permitted to be exported. While this restricted many countries, smaller countries, such as Sri Lanka, were able to benefit from these quotas. The reason for that was that buyers were unable to source from a single country but were forced to source from various developing countries to achieve the desired target numbers from Western lead firms. For instance, companies from Hong Kong, which were contemporaneously dominant in the export market, used Sri Lanka as an additional sourcing country, consolidating foreign invested enterprises (FIEs) to establish new manufacturing plants (Athukorala and Ekanayake, "Working Papers" 12). Consequently, the combination of favourable policies on the local level and MFA quotas on the global level can be said to have inhibited Sri Lanka's successful integration into the apparel GVC during the 1980s.

It needs to be stressed that foreign firms dominated Sri Lankan apparel production during this time period. In 1982, almost 80% of apparel firms in Sri Lanka were fully-foreign owned (Athukorala and Ekanayake, "Working Papers" 12). Predominantly functioning as a subcontractor, Sri Lankan apparel firms were not directly working with lead firms, limiting their development opportunities in the apparel GVC. In these early stages, Sri Lanka focused on Cut, Make and Trim (CMT) production, consisting of simple assembly work (Athukorala 201). CMT production is a common entry point into apparel production, as it requires minimal supplier capabilities. However, CMT production is also a sign of captive relationships: minimal information exchange is required and suppliers are replaceable (Athukorala 201). Naturally, this ensured Sri Lanka's simple CMT activities were framed in captive relationships with East Asian companies, with minimal scope for upgrading

opportunities. Yet, by building on these initial experiences in the globalised market, first textile design courses were offered at the University of Moratuwa in the Colombo region in 1984 with the help of the London School of Fashion design (Athukorala 208). The introduction of education programmes signifies a shift towards focusing on higher value activities within the apparel GVC.

The presence of East Asian buyers facilitated economic growth in Sri Lanka. In fact, by 1986, apparel became Sri Lanka's highest export good (Dheerasinghe 34). However, the growth in firm numbers and successes of the industry do not demonstrate how far GVC participation positively affected apparel workers. Therefore, how far integration into the apparel GVC translated into social upgrading opportunities on the local level needs to be analysed. In the GVC literature, social upgrading is defined as guaranteeing workers the access to secure, regular employment, the protection of workers' rights and their well-being (Barrientos et al. 228). The creation of jobs instantiates the first instance of social upgrading. In the 1970s and 1980s, unemployment rates, particularly amongst young people, were high (Athukorala 207). To ameliorate this, the apparel industry offered paid job opportunities for Sri Lankan workers, particularly women because assembly work was considered appropriate and did not require specific skills (Lopez Acevedo and Robertson 4). In fact, the apparel export industry offered unique opportunities to young women, albeit limited to informal employment or working in the agricultural sector (Lopez Acevedo and Robertson 4). With the introduction of an EPZ in Colombo in 1977, young women began to migrate to Colombo for work from rural parts of Sri Lanka (Lynch 106). This offered young women the opportunity to gain remunerated employment and develop skills.

However, local communities in rural areas were sceptical of the apparel industry. Indeed, fears that integration into the global economy constituted a new form of colonialism arose with the introduction of the first liberalisation reforms

(Lynch 24). As women were seen as “carriers of national tradition,” Sri Lankan women manufacturing clothing for the West was viewed as betraying their national culture (Lynch 23). Local people were therefore less accepting of integrating into the apparel GVC, as they interpreted it as a threat to their national identity. Since late 1970s, Colombo had been distrusted as a “morally degrading place” (Lynch 107). Young women migrating from their rural villages to Colombo for work was heavily criticised and were derogatively labelled Juki girls, named after the Juki sewing machines made in Japan (Lynch 106). The term was used to demonstrate the invasion of foreign influence as well as denoting lewdness (Lynch 108). Hence, while women benefited from working in the apparel industry through accessing paid jobs, they were simultaneously stigmatised for working in the sector as it was viewed as contributing to a loss of Sri Lankan culture. Despite local resistance, the apparel industry nevertheless expanded tremendously during the 1970s and 1980s.

Another example of social upgrading is the strong presence of Sri Lankan trade unions. Trade unions played a key role in Sri Lanka, even before the country attained independence in 1948 (Todd and Ruwanpura 165). As a consequence, trade unions were able to protest against initial trade liberalisation reforms in the 1970s that would have negatively impacted manufacturing workers, forcing the government to modify its proposal (Athukorala 199-200). Here, the collective bargaining power of trade unions was vital in influencing policy but also for bringing local concerns to the government’s attention. For this reason, trade union action should be seen as an instance of social upgrading in the same vein as improving living conditions for women.

1990-2004: Strategy Development in the Apparel GVC

Evidently, the MFA quotas significantly informed Sri Lanka’s integration into the apparel GVC by attracting foreign investors. However, a shift in Sri Lanka’s

participation in the apparel GVC can be identified in the 1990s. Asian companies slowly began to leave the country as the MFA quotas restricted to such small export numbers that Sri Lanka no longer functioned as a profitable sourcing location of these companies (Whitfield et al. 39). Sri Lanka therefore began restructuring their local apparel market. In 1992, the country introduced a second row of trade liberalisation reforms, lifting previous restrictions (Athukorala 199). This demonstrates once again that the state played a dominant role in steering the response to industry changes and influenced the development trajectory of Sri Lanka's apparel industry. Furthermore, fully local apparel manufacturing firms started to emerge, constituting almost 20% of apparel manufacturing firms in 1994 (Athukorala and Ekanayake, "Repositioning" 251). These two developments, reform and increasing local ownership, mark a departure from previous decades.

In addition to that, wider industry changes also shaped this phase of Sri Lanka's participation in the apparel GVC. In 1994, it was announced that the MFAs were to be incrementally abolished by the year 2005 (Athukorala and Ekanyake 249). This signified another drastic shift in the apparel GVC on a global level, inducing various actors along the chain to prepare for competition after 2005. Lead firms understood that the end of the MFA quotas negated the need to source from a number of developing countries, resulting in these firms working directly with suppliers to acquire greater control over their suppliers (Athukorala and Ekanayake, "Repositioning" 249). This was also the case for Sri Lanka.

Due to the introduction of new favourable and local policies as well as the announcement of the erasure of MFA quotas on the global level, lead firms began to take an interest in the country. Interestingly, large Western fast fashion retailers never sourced from Sri Lanka, as the island state was not able to provide high export numbers due to its small size (Athukorala and Ekanaye 3). Instead, well-known brands such as GAP, Nike, Tommy Hilfiger and Victoria's Secret, focusing on quality over

quantity, started to cooperate with Sri Lankan manufacturers in the mid to late 1990s (Athukorala 202). A number of these brands established joint ventures with Sri Lankan suppliers, gradually replacing FIEs and joint-ventures becoming the dominant form of ownership structures (Athukorala 201). This is unique amongst apparel manufacturers (Whitfield et al. 39). Here, the introduction of policies simplifying the creation of joint-ventures, introduced by the state of Sri Lanka, needs to be positively highlighted as an enabling factor for this development. Joint ventures with Western lead firms reveal a shift from captive relationships towards relational networks, characterised by a higher degree of information exchange and close cooperation. This is considered to be vital for the realisation of development opportunities and marks the 1990s as a transformative decade for the Sri Lankan apparel industry, as Asian buyers and FIEs were replaced by European brands who established joint ventures in close cooperation with Sri Lankans. With the state being instrumental in offering the necessary legal incentives to appeal to Western firms, the localisation of apparel manufacturing in the 1990s positively repositioned Sri Lankan apparel firms in the GVC.

While the turn towards closer cooperation with lead firms during the 1990s is exceptional, it is not clear insofar this supported Sri Lankan manufacturers to access development opportunities. As established in the theory section of this thesis, economic upgrading is defined as a supplier gaining the capacity to produce products of higher value (Barrientos et al. 228). During the 1990s, the increase of information exchange in networks with Western lead firms facilitated functional upgrading. Functional upgrading is defined as firms developing the capabilities to perform “higher-value-added tasks in the production process” (Barrientos et al. 232). As Western brands focused on complex high-quality products, greater information exchange was instrumental in cultivating the prerequisite production skills and technological know-how (Athukorala 203). Therefore, a precondition for functional upgrading was the formation of relational networks. These information exchange processes were later institutionalised as design centres were established in cooperation with a number of Western brands making “asset-specific investments”

(Fernandez-Stark et al. 29). Consequently, Sri Lankan apparel manufacturers benefited from operating in these networks as it allowed manufacturers to develop the relevant skills to focus on high-value activities such as design. As supplier capabilities increased, Sri Lankan manufacturers were able to provide full-package production to buyers towards the end of the 1990s (Athukorala and Ekanayake 251). Full-package activities are a firm's ability to carry out a range of tasks necessary in the creation of apparel complementary to assembly of apparel products, including "design, quality control, packaging and logistics" (Barrientos et al. 236). Hence, towards the end of the 1990s Sri Lankan apparel manufacturers were able to manufacture a garment from start to finish. These increased supplier capabilities point towards a high degree of functional upgrading, thereby strengthening Sri Lanka's position in the apparel GVC.

Building on these functional upgrading successes, Sri Lankan apparel manufacturers were able to achieve other forms of economic upgrading. For instance, the expansion of its supplier capabilities served as the precondition for product upgrading, being the ability of suppliers to create more complex products (Barrientos et al. 232). In Sri Lanka's case, the Western brands with whom they cooperated focused on complex specialty apparel, such as female underwear (Athukorala and Ekanayake, "Repositioning" 252). The production of women's intimate wear, particularly bras, requires a lot of knowledge and management skills as up to 50 components can go into the production of a bra (World Bank). Hence, Sri Lankan manufacturers developed the ability to produce brassieres as evidence for product upgrading.

Moreover, as Sri Lanka gained expertise in the production of niche products, important strides towards process upgrading were taken in the 1990s. Process upgrading is defined as gaining knowledge on how to expand efficiency in the product process (Barrientos et al. 232). In Sri Lanka, the largest apparel companies "invested in computer-aided designing (CAD) and computer-aided manufacturing (CAM) and electronic fitting ('e-fitting')" (Athukorala 252). This step towards greater digitalisation

in the design process denotes an increase in efficiency and therefore process upgrading. Again, it can be said that process upgrading was facilitated by functional upgrading as the ability to provide design services, for example, encouraged manufacturers to invest into more sophisticated processes to increase their efficiency, thereby further increasing their attractiveness to lead firms.

As demonstrated above, Sri Lanka's supplier capabilities accelerated in the 1990s, largely benefitting from the close cooperation with Western lead firms. Hence, lead firms were paramount in Sri Lanka's economic successful upgrading. By the early 2000s, almost 50% of Sri Lanka's exports were linked to GAP, M&S, Victoria's Secret and Nike (Fernandez-Stark et al. 28). Hence, as a result of their upgrading successes, Sri Lankan manufacturers mainly catered towards well-known brands focused on high quality products. The ability of Sri Lankan companies to achieve the triad of functional, product and process upgrading within the same decade illustrates Sri Lankan apparel firms' capitalisation on their relationships with lead firms in joint ventures.

Despite these upgrading successes, Sri Lanka nevertheless faced difficulties. Due to Sri Lanka being a small island size, access to raw materials is low with a lack of production sites of fabrics and other input factors (Whitfield et al. 39). This became a hindrance in the 1990s as export numbers and lead firms' demands grew. The first step to address the problem was the introduction of Temporary Import for Export Processing scheme in 1998, enabling export-oriented apparel manufacturers to import the relevant input factors more easily (Athukorala 199). Once again, the state acted as a driver of development in Sri Lanka's apparel industry. However, local firms also played an active role in transforming Sri Lanka's input sourcing practices. Aware that the abolishment of the MFA quotas in 2005 may pose a challenge to Sri Lanka's success in apparel manufacturing, local manufacturers started founding subsidiary manufacturers, typically in the form of joint-ventures with internationally-operating suppliers (Whitfield et al. 39). The fact that Sri Lankan firms could make such large-

scale investments underlines the fact that the localisation of production and ownership structures facilitated economic upgrading and successes in the apparel industry. The establishment of local input factories can be identified as a form of backwards integration, raising Sri Lanka's prominence within the apparel GVC. These input production plants were distinguishable by the local production of yarn and textiles as well as additional input factors, such as hangers, buttons, labels, etc (Athukorala 204). Through this, Sri Lanka ensured access to input factors, even after the nullification of the MFA quotas.

Evidently, Sri Lanka's successes in the realm of economic upgrading are numerous during the 1990s. The growth of the industry also led to Sri Lanka reaching middle-income country status by 1997 (Whitfield et al. 39-40). Yet, as the apparel industry expanded, local resistance to the industry again became a limiting factor. Specifically, women's labour involvement re-emerged as a limiting factor. Lynch identified the Sinhala Buddhist culture as the primary factor Sri Lankan construction of female roles. Women were viewed as the "preservers of the distinctive characteristics of Sinhala tradition," marked by innocence (Lynch 93). For this reason, women catering towards Western needs through their work, and above all manufacturing underwear, was feared to be a Western-style hypersexualisation of women (Lynch 93-94). Therefore, the shift to the production of brassieres facilitated through economic upgrading strengthened the resentment of locals towards the apparel industry. To counter this, in the year 1992, 200 Garment Factory Programme (200 GFP), a state initiative, was introduced with the objective to expand apparel production to rural areas of the country (Lynch 56-57). Resultantly, it was no longer imperative for women to move to EPZs, such as Colombo. The government hoped that this would result in greater acceptance for the industry, as women could now remain in their local areas. Sri Lankan villages were promoted as "sites of authentic Sinhala Buddhist tradition", where young women could find employment opportunities while protecting their cultural heritages from the perceived decadence stemming from Colombo (Lynch 120). The additional trade liberalisations reforms in the beginning of the 1990s also

supported this localisation of production by extending the privileges of EPZs to export-oriented manufacturers all over Sri Lanka (Athukorala 199). Furthermore, the government stressed that the 200 GFP would “celebrate, preserve, or resurrect the nation’s esteemed Sinhala Buddhist tradition” (Lynch 56). No doubt, the 200 GFP represented an important step in the protection of local culture. This project ought to be seen as having facilitated social upgrading by allowing a greater number of women to access paid work and acquire new work skills while remaining in their local communities. This process of cultivating local acceptance, and the benefits it accrued for local communities, substantiates a form of social upgrading.

In the early 2000s the Sri Lankan state and apparel industry began to explicitly focus on projects facilitating social upgrading. In 2002, the Joint Apparel Association Forum (JAAF) was established through state and industry cooperation with the mission to develop a shared plan for the future of Sri Lanka’s apparel industry (World Bank). This was in the context of preparing for the abolishment of MFA quotas in 2005 and the anticipated increasing competitiveness of the apparel industry. JAAF developed a 5-year plan, aiming to augment Sri Lanka’s role in the apparel GVC with details on how to advance supplier capabilities (Fernandez-Stark et al. 30). Most importantly, however, JAAF introduced the Garments Without Guilt project. The goal of this programme was to present Sri Lanka as the “World’s First Ethical Apparel Sourcing Destination” (Ruwanpura, “Ethical Codes” 12). The apparel industry thereby positioned itself as considering the well-being of workers. It can be confidently argued that this strategy was only made possible due to two circumstances: (1) Sri Lanka’s longstanding history of strong labour laws and (2) operating in relational networks with Western lead firms with a focus on complex products. This enabled Sri Lankan manufacturers to develop strategies besides a competitive price point to attract lead firms. Hence, a combination of specific local circumstances as well as successful economic upgrading can be identified as fostering further social upgrading in Sri Lanka’s apparel sector. In 2003, Sri Lanka signed the “39 ILO Core Convention covering workplace practices prohibiting forced labour and child labour” and remains the only

Asian country to do so (Athukorala 206). Here, the UN can be seen setting standards, as Sri Lankan apparel manufacturers began aligning their regulations with globally accepted regulations. The state's labour department and Board of Investments (BOI) are crucial in monitoring law compliance and protecting the rights of apparel workers (Athukorala 206). The Sri Lankan state's approach to social upgrading should therefore be described as proactive, with the strategic aim to position the Sri Lankan apparel industry as an ethical sourcing destination. Evidently, this was part of the state and industry's strategy to create a competitive advantage in preparation for the end of MFA quotas in 2005. Here, an instance of path creation focusing on sustainable development can be identified, stepping away from economic upgrading towards actively shaping the industry's sustainability narrative.

In this active approach towards facilitating social upgrading, the focus on education needs to be underscored as a number of education-focused projects were introduced in the early 2000s. It is important to stress that, compared to other Asian countries, Sri Lanka had instituted a good general education system for many years (Fernandez-Stark et al. 28). This established one precondition for social upgrading: workers already possessed a good general knowledge to be built upon. Part of JAAF's five-year plan was an education scheme for which a specific budget was concluded in order to ensure its workforce keep up with advancing manufacturing technologies and the rising demands of lead firms (Fernandez-Stark et al. 30). These education programmes are undoubtedly a form of social upgrading, as better education allows workers to move into higher-paying jobs. For example, to prepare for the post-MFA quota era was the introduction of new university programmes focusing on apparel production, some of them specifically focusing on apparel design (Gopura et al. 109-10; Majumdar and Sinha 208). As these often developed from cooperation with Western lead firms (Fernandez-Stark et al. 31), the importance of relational networks for the advancements in Sri Lanka's apparel industry should be underscored. Larger apparel firms also introduced their own training programmes, some of them specifically focusing on female empowerment (Fernandez-Stark et al. 31). Thus,

women specifically were able to benefit from new education programmes. Like the Garments Without Guilt initiative, these education programmes further demonstrated the state and apparel industry's cooperation was valuable for cultivating social upgrading, introducing another facet to Sri Lanka's path towards greater sustainability in the industry.

2005-2014: Sustainability Turn

Evidently, the 1990s and early 2000s were marked by a localisation of apparel manufacturing that facilitated economic as well social upgrading, thereby resulting in a stronger vantage point in the apparel GVC. Despite the best efforts of the Sri Lankan apparel industry to prepare for the end of the MFA quotas, predictions for Sri Lanka post-MFA were grim. As the end of the MFA quotas in 2005 meant that lead firms and local buyers could freely choose from which country to source, an increase in competitiveness within the industry was inevitable (Atuhokrala 193). Sri Lanka being a small island state, the fear was that export numbers would not suffice to remain competitive. Nonetheless, Sri Lankan apparel manufacturers were able to defeat these bleak expectations, successfully continuing expanding apparel export (Savchenko and Lopez Acevedo 4). Hence, previous preparations for 2005 allowed Sri Lankan apparel manufacturers to remain competitive.

However, the end of the MFA quotas also necessitated a re-structuring of the Sri Lankan apparel industry. As lead firms put greater demands on their suppliers, it was particularly large Sri Lankan apparel firms that were able to respond to this industry shift by offering advanced services (Athukorala 223-24). In contrast, smaller manufacturers could not, resulting in the number of apparel manufacturers almost halving by 2011 (Athukorala 210-11). Thus, a consolidation of the Sri Lankan apparel industry occurred in the aftermath of MFA quotas fading out. In fact, by 2011, the three largest manufacturers carried out more than 45% of apparel exports (Athukorala

210-11). The majority of remaining small to medium manufacturing enterprises began to operate as subcontractors for large Sri Lankan apparel firms in order to meet the increased demand in export outputs (Athukorala 210-11). Hence, the ability to respond to the larger changes was uneven as only larger firms could build on close relationships with lead firms and their high supplier capabilities.

Yet, larger apparel exporters did not only strengthen their ties with lead firms and increased their export numbers. In fact, they also diversified their manufacturing endeavours. For example, the largest Sri Lankan apparel firms also ventured into the creation of their own brands sold in South Asia (Whitfield et al. 39). The fact that Sri Lankan apparel manufacturers had developed the skills to launch their independent brands demonstrates their economic upgrading successes. Further, these apparel firms also widened their backwards linkages by setting up new manufacturing plants in countries such as Vietnam, India, Bangladesh and Jordan (Athukorala 203). The ability of creating backwards as well as forward linkages stresses that large apparel manufacturers were able to increase their abilities to achieve a better position in the apparel GVC post-2005.

One of the reasons why the fading out of MFA affected Sri Lanka to a lesser degree is because they were able to access the EU's Generalised Scheme of Preferences Plus (GSP+) scheme from 2005 onward. Through this scheme, Sri Lanka was able to access low tariff barriers, which allowed Sri Lanka to build a stronger customer base in Europe, whereas it was previously mostly dependent on the US as an end market (Khattak et al. 321). Hence, by accessing the GSP+ scheme, Sri Lanka was able to diversify its end markets after 2005. Thereby, its position within the apparel GVC strengthened once again as it was no longer dependent on singular markets or lead firms. The GSP+ scheme was reserved for developing countries that focus on facilitating "poverty reduction, promotion of 'sustainable development' and 'good governance'" (Sarvananthan and Snajeewanie 1). It can therefore confidently be argued that previous economic as well as social upgrading successes equipped Sri

Lankan with the necessary tools to adapt to global changes within the apparel GVC. Thus, the example of Sri Lanka demonstrates how the ability to adequately prepare and respond to larger industry changes is closely intertwined with a country's industry's unique development history.

In the post-2005 years, education was prioritised in the Sri Lankan apparel sector, facilitating social upgrading as well as enabling further economic upgrading. For example, Nike continued its close cooperation with a Sri Lankan manufacturer as they established a global training facility for apparel workers, training workers in numerous countries (Athukorala 2009). Hence, lead firm cooperation continued to be a facilitator of upgrading post-2005. Additionally, local factories established new training centres in Sri Lanka with a focus on management, full-package production and design (Whitfield et al. 39; Athukorala 2009). Together with JAAF, courses focusing on marketing were introduced (Fernando et al. 30). The fact that Sri Lankan manufacturers moved into developing their own training operation of high value steps in the apparel GVC demonstrated how social upgrading and economic upgrading are closely linked. In 2009, the Sri Lanka Institute of Textile & Apparel was established under the Act No. 12 of 2009. In this act, the need for the expansion of education programmes is highlighted as well as the need to "provide for the development and sustainability of the textile and apparel industry" (Parliament of the Democratic Socialist Republic of Sri Lanka; "Sri Lankan Institute" 1). This demonstrates clearly that sustainability became a key part of Sri Lanka's strategy to strengthen Sri Lanka's position in the apparel GVC post-MFA. Further, it becomes clear that education was prioritised by the state and industry, tightly linked to Sri Lanka's attempts to increase the sustainable development of the industry.

As the end of MFA quotas made the industry more competitive, providing ethical manufacturing became a major point of differentiation. Specifically branded companies such as Nike and Victoria's Secret, who Sri Lanka had already established

relationships with, integrated ethical sourcing into their company strategy and demanded such from their suppliers (Ruwanpura, "Ethical Codes" 12). Due to previous social upgrading successes, Sri Lanka was able to position itself as an ethical manufacturer as well as making further advancements in the realm of social upgrading, contributing to its path towards greater sustainable development. In larger apparel manufacturing companies in particular, an improvement of working conditions occurred to a higher degree (Athukorala 199-200). This stresses once again how larger apparel firms were in an advanced position to focus on more sustainable practices as a differentiating factor.

Due to its social upgrading successes, Sri Lanka was able to strengthen its position in the apparel GVC as it became an increasingly attractive sourcing destination. In fact, Sri Lanka was often titled "the world's number one ethical apparel sourcing destination" (EDB, "Industrial Capability" 2). In contrast to other countries, Sri Lanka could demonstrate ethical practices in its apparel industry. Overall, an improvement of working conditions in Sri Lankan apparel manufacturing can be identified after the fading out of MFA quotas (Savchenko and Lopez Acevedo 16). Hence, after 2005, new additional instances of social upgrading occurred. Recent studies show that the wages of Sri Lankan apparel workers are significantly higher than in other Asian countries (Athukorala 210-11). In fact, the wages in the Sri Lankan apparel industry typically surpasses minimum wage (Athukorala 210-11). Workers also report that joining the apparel industry is beneficial for them as they earn almost 50% more after than in previous forms of employment (Sarvananthan and Sanjeewanie 11). Hence, in contrast to other countries, Sri Lankan apparel workers benefit from higher wages. In addition, Sri Lanka's apparel industry is known for its humane working conditions. A study focused on investigated this found that clean and safe working conditions, regular employment and a lack of child labour are a positive characteristic of the sector (Ruwanpura, "Ethical Codes" 18). Thus, a number of indicators such as comparatively high wages and improvements in working conditions point towards social upgrading successes after 2005.

However, lead firms also introduced demands on Sri Lankan apparel firms in order to advance ethical manufacturing practices further. For instance, lead firms drove the incorporation of corporate social responsibility norms (CSR) in the industry, asking firms to state their commitment to ensuring humane working conditions and the compliance with labour laws by implementing said codes (Athukorala 205-06). Hence, lead firms started to actively shape the approach to ethical manufacturing in Sri Lanka during the mid-2000s. In interviews with factory managers on CSR and sustainability reporting, Sri Lankan managers stressed that the implementation of these codes not only helped them to stay competitive but further viewed the introduction of more ethical measures in the light of “collective responsibility for improving the wellbeing of society in their country” (Dissanayake et al. 472-74). Hence, the fact that managers view ethical codes as a way of giving back to Sri Lankan communities highlights that ethical codes in the Sri Lankan apparel industry were incorporated in a wider strategy to achieve greater sustainability within Sri Lanka as a whole. While it was lead firms that drove the implementation of CSR codes, managers in the apparel industry linked these back to their own local contexts, thereby advancing sustainable development on a local level.

Despite these numerous social upgrading successes after 2005, the fading out of MFA quotas was also accompanied by negative changes for apparel workers. With the consolidation of apparel firms in Sri Lanka, a number of apparel workers, particularly women, lost their jobs (Savchenko and Lopez Acevedo 4). Further, wages had to be lowered to remain competitive (Savchenko and Lopez Acevedo 3). Thus, the increase in competitiveness directly impacted workers negatively. As a result of increased pressure and low wages, workers often had no choice but to work overtime to be able to make a living. These negative effects were particularly felt by women, as the gender wage gap widened significantly after 2005 (Savchenko and Lopez Acevedo 14). Thus, it can be said that inequality within the industry increased. Further, workers were also increasingly expected to work over time during peak seasons, often exceeding the legally allowed number of working hours to finish orders in time

(Ruwanpura 9). Therefore, instances of uneven and limited forms of social upgrading mark the post-2005 era.

The implementation of codes by Western lead firms must also be viewed critically as it undermined the rights of workers. Studies found that the introduction of CSR codes resulted in a number of negative effects whilst providing only limited positive change. For instance, Ruwanpura finds that CSR codes were predominantly “implemented for public relation purposes” (“Ethical Codes” 28). Hence, the business case for ethical manufacturing developing out of global concerns regarding unethical sustainable practices does not automatically facilitate improvements. In many manufacturing plants, internal “non-union employee representation” collectives were established, modelled after the European Works Councils (Ruwanpura, “Ethical Codes” 26). While in theory these councils meant to fulfil a similar role as trade union, workers stated that managers were not considering their complaints and instead utilised the councils to “convey their factory policies towards workers” (Ruwanpura, “Ethical Codes” 26). Hence, the introduction of firm-internal councils weakened the position of trade unions. Ruwanpura stresses that the state is partly to be blamed for the weakening of trade unions as the BOI encouraged the implementation of said councils (“Ethical Codes” 25-26). In Sri Lanka’s case, this is a particularly worrying trend as it was due to Sri Lanka’s history of strong labour laws and presence of trade unions that social upgrading was possible and Sri Lanka was able to position itself as an ethical producer. In 2010, Sri Lanka also lost access to the GSP+ benefits “due to the failure of the government to adequately implement three human rights conventions,” that had to be upkept in order to be able to access the scheme’s benefits (Khattak et al. 321), later regaining its GSP+ status in 2017 (Abeysekara et al. 1674). It can be said that the focus on remaining competitive post-MFA came at the expense of garment workers, despite Sri Lanka promoting its ethical manufacturing practices. Hence, the state’s and apparel manufacturers’ focus on appealing to lead firms to further advance economic growth in the apparel sector can be viewed as a hindrance to sustainable improvements in the industry.

With an increase in exports, Sri Lanka's negative impact on the environment became another area of concern. As lead firms were confronted with the prospect of the introduction of environmental legislation, information exchange between lead firms and suppliers increased in order to introduce greener manufacturing practices (Khattak et al. 323). Hence, the expectations that environmentally producing was soon to become mandatory resulted in lead firms and suppliers to pursue more environmentally-conscious production methods. A study on barriers of green practices in apparel showed that only suppliers with a focus on niche products and high supplier capabilities were able to introduce greener practices (Majumdar and Sinha 184). As established above, Sri Lanka possesses said characteristics mentioned in the study, showing how previous economic upgrading successes were vital for Sri Lanka to facilitate environmental upgrading.

Taking advantage of its high supplier skills and close relations with lead firms, Sri Lanka made significant steps towards environmental upgrading in the 2000s. In fact, Sri Lankan firms invested into green manufacturing technologies and consulted international specialists to obtain knowledge on implementation strategies (Khattak et al. 328). This demonstrates Sri Lankan apparel manufacturer's active role in pursuing environmental upgrading, adding another dimension to its approach to a more sustainable path in the industry. A study focusing on environmental upgrading in Sri Lankan apparel firms found that "firms had gone beyond the requirements of environmental standards set and enforced by buyers and international organizations" (Khattak et al. 326). This suggests that Sri Lankan suppliers viewed sustainability as a competitive advantage by providing additional green capabilities, thereby differentiating itself in the industry. Sri Lankan firms that introduced environmentally friendly production technologies were able to increase their eco-efficiency, despite rising levels of energy consumption (Shiwanthi et al. 76). Additionally, these greener practices also facilitated a decline of production costs (Khattak et al. 326), pointing towards a cost incentive of green manufacturing whilst also appealing to lead firms. Hence, Sri Lankan apparel manufacturers were able to implement greener

manufacturing practices, thereby facilitating environmental upgrading as well as cutting costs and appealing to lead firms. Moreover, the fact that Sri Lankan firms had enough disposable income to invest in new technology to increase its position in the apparel market shows that previous economic upgrading served as a precondition for economic upgrading in Sri Lanka.

Building on these early advancements towards environmental upgrading, Sri Lanka started to build environmentally-friendly production centres. In fact, Sri Lanka built the first green factories in the world, which opened in 2008 (Goger 73). With more green factories being built in the subsequent years, one of these manufacturing plants was awarded the LEED platinum rating, “setting a global benchmark for Green Apparel Factories” (EDB, “Industrial Capability” 2). Thus, Sri Lankan apparel manufacturers can be seen as setting standards for sustainable manufacturing. Further, the adaptation of environmentally friendly practices was complemented by the introduction of social programmes for workers in large apparel firms (Khattak et al. 326). Therefore, environmental upgrading was sometimes also accompanied by social upgrading. It can be said that the post-MFA era was marked by both, social and environment upgrading to varying degrees, facilitated through economic upgrading successes in the past. Through the introduction of these new practices, the sustainable development in the Sri Lankan apparel industry accelerated.

Evidently, the Sri Lankan apparel industry functioned as the key driver of environmental upgrading in the mid to late 2000s. However, the state also introduced programmes to encourage the widening of green manufacturing practices. In 2012, the National Cleaner Production Centre introduced a National Cleaner Production Awards scheme to honour manufacturers contributing to cleaner production and also encourage others to make advancements towards greener practices (Gunarathne and Sankalpani 5). In addition, university degrees focusing on greening industries were introduced (Gunarathne and Sankalpani 9). Thus, the state encouraged the shift towards a greening of the industry by providing incentives in the form of awards as

well as education programmes. This however, occurred years after the apparel industry had already incorporated greener practices and must therefore be regarded as a form of recognition on the side of the state, encouraging the expansion of said endeavours.

2015-2019: Impact of the SDGs on the Apparel Industry

As the analysis above demonstrated, Sri Lankan apparel manufacturers had achieved significant degrees of economic, social and environmental upgrading before the introduction of the UN's SDGs in 2015. While the Sri Lankan apparel industry was already on a path of sustainable development before the introduction of SDGs, there was still room for growth. Social upgrading was often uneven; environmental upgrading only started to play a role in Sri Lanka in the 2000s.

In order to discuss the impact that the introduction of the SDGs had on the Sri Lankan apparel industry, the response of the Sri Lankan government to the SDGs needs to be first examined. Immediately following the introduction of the SDGs, the Sri Lankan government established an Advisory Committee with the task to "raise awareness of the SDGs among the private sector, NGOs, academia and other relevant agencies" (Tilakaratna et al. 18). In the following years, a number of institutionalisation processes of the SDGs were undertaken. In 2016, the Ministry of Sustainable Development, Wildlife & Regional Development was established "with the objective of facilitating and coordinating economic and social development programs & projects" (Ministry of Sustainable Development, Wildlife and Regional Development). This constitutes a specific ministry that was commissioned to navigate SDG implementation in Sri Lanka. In 2017, the Sri Lanka Sustainable Development Act was ratified, reaffirming Sri Lanka's commitment to the SDGs (Parliament of the Democratic Socialist Republic of Sri Lanka, "Sustainable Development Act" 1-2). With the introduction of this act, the Sustainable Development Council was also founded. Its

role was to coordinate cooperation amongst the different actors to achieve the SDGs, as well as the development of a National Policy and Strategy on Sustainable Development (Parliament of the Democratic Socialist Republic of Sri Lanka, “Sustainable Development Act”1-2). In 2019, the President Expert Committee published a report titled Sustainable Sri Lanka 2030 Vision and Strategic path, outlining Sri Lanka’s strategy to achieve the SDGs (Munasinghe et al. iv). Clearly, the state actively participated in the efforts to achieve the SDGs.

The Sustainable Development Report of 2019 is indicative of the success of these efforts. According to the SDG report, Sri Lanka ranked 93 amongst the 162 participating countries in 2019 (Sachs et al. 21). For a small developing country in South Asia, this should be promoted as a positive sign of the realisation of sustainable development. Indeed, in 2019 Sri Lanka had already achieved SDG 4 (quality education) while making strides towards SDG 1 (no poverty), SDG 6 (clean water and sanitation), SDG 8 (decent work and economic growth) and SDG 13 (climate action) (Sachs et al. 400). Some goals are considered to have improved moderately; others are stagnating (Sachs et al. 400). Nonetheless, the SDG report of 2019 shows that Sri Lanka is progressing towards the goal of achieving the SDGs four years after their initial introduction. This can be said to have been supported through the creation of ministries and councils responsible for developing strategic plans for SDG implementation.

The fact that Sri Lanka was able to positively contribute towards achieving a number of SDGs by 2019 paints a positive picture of development in Sri Lanka. In fact, by 2019, Sri Lanka achieved “high middle-income status” (Whitfield et al. 39). However, concerns amongst scholars about the ability of the Sri Lankan state to implement substantial changes in Sri Lanka to achieve the SDGs nevertheless are evident. “Political volatility, fragmented institutions, wavering leadership and lack of a clear strategy” constitute a barrier to SDG implementation (Nilsson et al. 103). An example of this is the constitutional crisis in 2018 (Samararatne 2). Following the

elections in 2019, a year earlier than expected, the inauguration of a new president, especially due to a governmental crisis, introduces uncertainty regarding how far previous political decisions on the SDGs will be further pursued. Moreover, corruption and nepotism can be identified as additional key obstacles to the realisation of the SDGs (Herath 743-45). Internal political problems undoubtedly pose a major barrier to achieving the SDGs. To exacerbate the situation, it was found that stakeholders and the general public lack awareness of the SDGs, hindering various actors from becoming more involved in the realisation of the SDGs (Tilakaratna et al. v). From this, it can be argued that, while Sri Lanka enacted relevant strategies to achieve greater sustainable development, political unrest and corruption constitute a barrier to the state's abilities to engineer the SDGs.

As becomes clear, the state's role in facilitating progress towards achieving the SDGs seems limited. Therefore, the question arises in how far the apparel industry contributes towards realising the SDGs. As the apparel industry facilitated economic growth of the Sri Lankan economy since starting its participation in the apparel GVC in 1977 and experienced a significant degree of economic upgrading from the 1990s onwards, its contribution towards economic growth (SDG 8) is evident. The historical analysis of the industry also helped identify other ways in which it contributes to the realisation of the SDGs. For instance, the creation of jobs, particularly enabling women to gain access to paid labour, can be linked to SDG 1 (no poverty). Further, in preparation for a competitive industry post-MFA, the state and industry invested into education as well as enhancing working conditions for workers in the early 2000s. In the subsequent years, these projects expanded, thereby facilitating synergies between SDG 4 (quality education) and SDG 8 (decent work and economic growth) (Fernando et al. 40). Thus, social upgrading in the industry can be linked to a number of SDGs. As lead firms and Sri Lankan apparel manufacturers operate in relational networks, exchanging information on how to facilitate sustainable change in the industry, contributions to SDG 17 (partnerships for the goals) can be identified. During the mid-2000s, Sri Lankan apparel manufacturers introduced environmentally friendly

production processes as well as building the world's first green manufacturing plant. Therefore, it can be said that the apparel industry contributes towards SDG 12 (sustainable consumption and production). As becomes apparent, Sri Lanka's previous successes in the realm of economic, social and environmental upgrading allow manufacturers to align themselves with a number of different goals, focusing on all three axes of sustainable development.

MAS Holdings: A Story of Success and Sustainability

In order to better appreciate the impact of the SDG on the Sri Lankan apparel industry, the development trajectory of a Sri Lankan apparel manufacturing firm will be mapped out briefly and cross-referenced to the already identified development stages of the apparel industry. For this, the largest apparel manufacturer was chosen, as it accounts for the majority of apparel exports, thereby significantly influencing the impact of Sri Lanka's apparel industry.

The largest apparel manufacturer in Sri Lanka is MAS, which is based in Colombo (Athukorala and Ekanayake, "Repositioning" 253). In fact, it is "the largest intimate wear . . . producer in South Asia" (Athukorala and Ekanayake, "Working Papers" 28). MAS was initially founded as a textile trading company in Colombo in 1920 (Athukorala and Ekanayake, "Working Papers" 24). However, it was in 1984 when it transitioned into apparel manufacturing (Athukorala and Ekanayake, "Working Papers" 24). Therefore, MAS started participating in the apparel manufacturing business after Sri Lanka was integrated into the apparel GVC in 1977 and the export-oriented apparel industry started to gain in importance. It is important to underline that MAS is fully locally owned, demonstrating that Sri Lankan apparel firms have profited their footing early on in the apparel industry. As discussed above, it was during the 1980s that buying agents played a dominant role in the apparel industry, as

they sourced apparel for lead firms from various Asian countries that had to operate under the restrictions of MFA quotas. This is also reflected in the history of MAS. Together with Mast Industries, a buyer working for the American apparel retailer The Limited, MAS set up joint-ventures to focus on the production of underwear (Athukorala and Ekanayake, "Repositioning" 3). Hence, it was through organising joint ventures in the 1980s that MAS was able to garner the prerequisite knowledge to produce complex products, such as lingerie.

Towards the end of the 1980s and early 1990s, the role of buying agents started to diminish in Sri Lanka, as MFA quotas were exhausted. However, because of MAS's specialisation and the development of high supplier capabilities, the company could forge relationships with branded apparel firms in subsequent years. For example, MAS has been a supplier of Victoria's Secret since the late 1980s (Athukorala and Ekanayake, "Working Papers" 5). They have also worked closely together with brands, such as Marks and Spencer, GAP, Triumph, Nike and Speedo, to name a few, some of which have opened production plants in the form of joint-ventures (Athukorala and Ekanayake, "Working Papers" 24-25). Thus, joint-ventures and the creation of relational networks should be understood as a key source of the economic upgrading for MAS. Towards the end of 1990s, the exports rose, resulting in MAS Holding being able to establish textile subsidiaries to guarantee access to input materials (Whitfield et al. 39). This was a particularly important step as the end of MFA quotas neared and it allowed MAS to gain control over larger parts of its supply chain before the competitiveness within the industry increased. In 2002, MAS advanced its capabilities to such a high degree that it was able to launch its own lingerie brand sold in India, called Amantē' (Athukorala and Ekanayake, "Working Papers" 27). Therefore, MAS experienced a significant economic upgrading early through its participation in apparel manufacturing. This ability was rooted in joint ventures and working in relational networks, therefore enabling MAS to attain the necessary knowledge to focus on the complex high-quality niche product lingerie for lead firms as well as launching its own lingerie brand.

In addition to its economic upgrading successes, MAS further began to institutionalise ethical production measures in the early 2000s to prepare for the end of MFA quotas in 2005. In 2003, MAS established the Women Go Beyond programme, which promoted education (Fernandez-Stark et al. 32). This is in line with trends in Sri Lanka in the early 2000s, when JAAF was founded to promote more ethical manufacturing practices. Hence, even private companies such as MAS introduced their own ethical production programmes. In the immediate post-MFA years, MAS continued to prioritise education and ethical practices. For instance, in 2007, MAS created its own training centre, the MAS Institute of Management and Technology (Athukorala 209). Together with Nike, MAS also founded the Nike Apparel Innovation and Training Centre, training apparel employees from all over the world (Athukorala 209). Thus, MAS established its own social programmes, facilitating social upgrading as well as developing programmes with Western lead firms, stressing the importance of relational networks for the realisation of upgrading and sustainable practices in the apparel industry. The post-MFA era was particularly marked by the successes of MAS in making its manufacturing process more environmentally friendly. Moreover, MAS opened the “world’s first green garment factory” in 2008 in cooperation with Nike (Munasinghe et al. 58). As Nike imparted relevant knowledge on technology and building design, MAS Holding bore the cost of building a green manufacturing plant (Munasinghe et al. 60). Indubitably, this combination of relation networks, knowledge and early economic success allowed MAS to be proactive in introducing environmentally friendly practices during the 2000s in order to appeal to the needs of lead firms.

MAS has been on a path to sustainable development in the apparel industry since the 2000s, when ethical manufacturing and green practices were initiated in Sri Lanka. With the introduction of the SDGs in 2015, MAS was confronted with a globally agreed-on agenda, stating how sustainable development was to be achieved by 2030, explaining the necessary steps in 17 concrete goals and its sub-targets. Simultaneously, since 2003, MAS has been part of UN Global compact, a “UN-led coalition . . . that

seeks to align strategies and operations with universal principles on human rights, labor, environment, and anticorruption,” in a business’ daily operations (KPMG 42). Therefore, MAS commitment to UN strategies to make the industry more sustainable goes hand in hand with MAS’s history of introducing sustainable practices in the early 2000s. This commitment to sustainable development as understood by UN Global Compact finds expression in MAS’ annual Communication on Progress reports, showcasing MAS advancements towards sustainable development. It is important to emphasise that participation in UN Global Compact is voluntary, not policed or enforced (UN Global Compact, “Frequently Asked”). Yet, the fact that MAS hands in these reports, depicting its progress, demonstrates MAS’ commitment to greater sustainability in the apparel sector.

In order to understand MAS’s response to the introduction of the SDGs, MAS Communication on Progress reports for the years 2016, 2017, 2018 and 2019 will be more closely inspected. In 2016, MAS designed a graph on how its firm strategy aligns with different SDGs (MAS Holdings, “CoP 2016” 12). However, no strategy for improvement in this domain was elaborated. Rather, the recognition and the will to tackle the SDGs can be identified. In MAS’s Communication on Progress report from 2017, SDGs were more explicitly focussed on. In this report, MAS aligned existing programmes to focus on advancing community development for different SDGs (MAS Holdings, “CoP 2016” 97), highlighting how several initiatives helped to further various SDGs. The report also stresses that the firm was able to make the most advancements towards SDG 4, quality education (MAS Holdings, “CoP 2017” 97). Naturally, this focus is rooted in MAS’ apparel GVC integration and is particularly prominent in the 2000s. Hence, MAS’s ability to advance SDG 4 is a result of both its unique development history and position in the apparel GVC. In 2018’s Communication on Progress, a widening of the scope of SDGs focused on can be observed. As the report stresses, MAS has its own corporate citizenship activities and has defined six relevant categories: “Education, Environmental Initiatives, Environmental Initiatives, Health, Local Connect, Nation Mindedness and Sports” (MAS Holdings, “CoP 2018” 56). The

report adds that the activities of these initiatives are aligned with the SDGs, stating that they thereby contribute to all 17 SDGs to varying degrees (MAS Holdings, “CoP 2018” 56). In addition, the report states that MAS prioritises projects that can be aligned with SDG 4 (quality education), SDG 3 (health and well-being) and SDG 11 (sustainable cities and communities) (Mas Holdings, “CoP 2018” 57). The emphatic affirmation in this report that existing firm projects align with the SDGs demonstrates that the SDGs are not proactively pursued; instead, the firm already organised its strategies in accordance to the UN’s conception of sustainable development. Therefore, the findings suggest that the introduction of the SDGs did not encourage MAS to introduce projects with the intention to contribute to SDGs or re-shape its sustainability strategy significantly. A similar example in the 2018 report is the advancements towards SDG 5 (gender equality), evidencing the impact of MAS’s Women Go Beyond programme (MAS Holdings, “CoP 2018” 15). Here, it is accentuated that the firm is committed to raising the number of women in managerial positions, linking this to SDG 5.5.2 (MAS Holdings, “CoP 2018” 16). Again, prior initiatives, such as the introduction of the Women Go Beyond Programme, showcase MAS’s ability to align itself with certain SDG goals. In the 2019 Communication on Progress report, the 2018 commitment to the SDG is reaffirmed. For instance, the report reiterated that the majority of MAS’ sustainability initiatives can be linked to SDG 4, followed by SDG 3 and 11 (MAS Holdings, “CoP 2019” 92). Hence, the majority of Communication on Progress reports between 2016 and 2019 highlight MAS’s contributions towards a limited number of SDGs; this scope not widening over the four years.

As the analysis on Sri Lanka’s development trajectory in the apparel GVC reveals, the concentration on SDG 4 is a consequence of path development, as Sri Lankan apparel firms increased their apparel manufacturing capacities in the 1990s and promoted educating their workforce through various programmes and initiatives through the early 2000s. Hence, the Communication on Progress reports in the four executive years after the introduction demonstrate that MAS increasingly marketed its contributions towards achieving the SDGs. The reports stress that prior projects, some

of which being established in the early 2000s, mandated sustainable practices in the industry which overlapped with the SDGs, especially SDG 4 (quality education). This implies that the introduction of SDGs has not encouraged the organisation of projects for reaching (previously unaddressed) SDGs. Certainly, previous successes in regards to economic, social and environmental upgrading, as demonstrated through the economic evolutionary geography analysis approach, enabled MAS to position itself as having already begun to contribute towards the SDGs.

While the introduction of SDGs did not result in MAS introducing new projects, a shift in the approach towards sustainable projects can nonetheless be discerned. In 2019, Roshan Weerasinghe, a member of MAS's sustainability team, was acclaimed as Sri Lanka's SDG Pioneer (MAS Holdings, "CoP 2019" 93). SDG Pioneers is a project launched by UN Global Compact for the recognition of young business leaders who champion sustainable business (MAS Holdings, "Sri Lanka's SDG Pioneer"). The fact that a representative of the apparel industry was selected as Sri Lanka's SDG Pioneer reinforces that the apparel industry is a leading force in the advancement of sustainable development in Sri Lanka. In an interview, Weerasinghe argued that the implementation of SDGs spurred an internal company investigation into their own impact on education and the well-being of local communities (MAS Holdings, "Sri Lanka's SDG Pioneer"). Hence, the SDG implementation triggered a revaluation of MAS's sustainability projects (MAS Holdings, "Sri Lanka's SDG Pioneer"). As Weerasinghe asserts, this was crucial for MAS to evaluate to the extent their projects are able to achieve different SDGs (MAS Holdings, "Sri Lanka's SDG Pioneer"). Therefore, it can be argued that the SDGs, with their specific targets for each goal, impelled MAS to approach their sustainability programmes differently by shifting the focus to the sustainable effects of their programmes. It therefore should be concluded that the SDGs did positively incentivise MAS to further sustainable development. Nevertheless, the ability of MAS to originally align its actions with the SDGs is inextricable from its (already sustainable) development trajectory since integrating into the apparel GVC.

Conclusion

In conclusion, the findings of this thesis show that the Sri Lankan apparel industry was able to adopt a number of SDGs due to its history of ethical manufacturing. The country is recognised to be an example of successful economic, social and environmental upgrading among Asian manufacturers, with close connections with Western lead firms. Because Sri Lanka mainly caters towards lead firms located in the US and Europe, a dependency on Western markets has emerged. Yet, this study finds no evidence suggesting the introduction of the SDGs created new projects for achieving the SDGs during the first four years after the introduction of the SDGs. Rather, Sri Lankan apparel manufacturers' ability to refocus local level sustainable development with the SDGs should be seen to be a result of local context.

In order to gain an understanding of the impact that the development of Sri Lanka's apparel industry had on its ability to respond to the SDGs, a phase model tracing the different stages of development was created, highlighting the role of relevant actors and main events that shaped each development phase. The first phase, between 1977 and 1990, is characterised by Sri Lanka integrating into the global apparel GVC. Sri Lanka first integrated into the global apparel GVC in 1977 through the introduction of trade liberalisation reforms, together with policies that facilitated foreign direct investment. The early 1980s were marked by the dominance of foreign buying agents. The reason for this was that the MFA quota restricted the number of textile and apparel products developing countries could export to developed countries. Thus, buying agents sourced in the name of lead firms from several developing countries in order to guarantee order numbers. A number of Asian manufacturing plants also set up manufacturing firms in Sri Lanka, utilising them as subsidiary plants. Consequently, the majority of Sri Lankan apparel firms in the 1980s were fully-foreign owned. However, towards the late 1980s, these foreign actors began to leave the country as they exhausted Sri Lanka's MFA quotas. Instead, lead

firms started to directly work with Sri Lankan apparel manufacturers, setting up joint ventures while investing in the education of the local workforce. The primary agents during this phase can be identified as the Sri Lankan state, which introduced favourable trade liberalisation and export policies, and global buyers, who sourced apparel from Sri Lanka while cooperating with manufacturers.

The second phase covers 1990 to 2004. During this period, a significant degree of economic upgrading occurred. Although the integration into the apparel GVC facilitated economic growth, the Sri Lankan citizens were critical of the development, apprehending it as neo-colonialism. In order to counteract this sentiment, the 200 Garment Factory Programme was introduced in 1992. Young women resultantly no longer had to relocate to EPZs for work as factories were built in rural areas. Additionally, factories focused on positively contributing to local communities to foster acceptance. Such local acceptance enabled global success in the apparel industry as well. As the cooperation with lead firms grew closer, Sri Lanka was able to achieve functional, process as well as product upgrading thanks to relational networks with branded lead firms, such as Victoria's Secret, GAP, M&S, Nike, and the like. Improvements in education and knowledge exchange in this period cultivated local development. Furthermore, due to buyers leaving after exhausting MFA quotas, locally-owned apparel firms started to become the norm. After it was announced that the MFA quotas were to fully fade out by 2005, Sri Lanka needed to develop additional competitive skills, as its small size inhibited its capacity to compete. Thus, the economic upgrading successes in the 1990s were also vital to prepare Sri Lanka for the post-MFA quota apparel economy.

A number of steps were taken by manufacturers to distinguish themselves. This included offering full-package capabilities to lead firms, including design, quality control and logistics, services beyond simple assembly work. Close cooperation with branded lead firms in relational networks should be seen here as fundamental.

Moreover, successful economic upgrading undergirds social and environmental upgrading in the early 2000s. JAAF, the Joint Apparel Association Forum, was founded in cooperation between the state and the Sri Lankan apparel industry at this time to prepare for the erasure of MFA quotas. One of JAAF's key achievements was the introduction of the Garments Without Guilt programme, highlighting an advancement in the well-being of workers. It is important to highlight that due to its colonial past, Sri Lankan labour laws and trade unions have been influential in the preceding decades. Building on these past successes, JAAF was instrumental in presenting Sri Lanka as an ethical sourcing destination as well as offering education programmes for apparel workers, some even on the university level. Fundamentally, Sri Lanka's unique history supported apparel manufacturers to position themselves as ethical producers in the early 2000s. An instance of path creation pertaining to sustainable development in the Sri Lankan apparel industry can be identified in the early 2000s when apparel manufacturers, together with the state, shifted their focus from economic upgrading to social upgrading. This marks the beginning of the industry's sustainability narrative.

The third phase lasted from 2005 to 2015. In 2005, the MFA quotas came to an end. While predictions painted a negative picture for Sri Lanka's apparel industry post-MFA, Sri Lanka was able to defy these expectations and continued its growth trajectory. It can be said that this was only made possible through the industry preparing for a more competitive apparel industry, establishing ethical manufacturing processes. Hence, Sri Lanka's ability to focus on sustainability can be said to be a direct result of its history marked by successes in economic upgrading that facilitated social upgrading. However, with an increase in competitiveness, a number of smaller Sri Lankan manufacturers had to close down. Indeed, apparel manufacturing consolidated back to EPZ zones. Smaller manufacturers started to work for these larger firms as subsidiaries. Therefore, a number of workers were also confronted with social downgrading due to an increase in market competitiveness. As sustainability became a competitive factor in the mid-2000s, Sri Lanka's large apparel firms built on previous successes to remain competitive. In 2008, Sri Lanka built the world's first green apparel

manufacturing plant and won many awards for its other green factories that were built in the following years. As a consequence, the Sri Lankan apparel industry was labelled a pioneer of green manufacturing practices. However, sustainable practices are not limited to making the production process cleaner. Rather, larger firms introduced their own CSR codes and new education programmes, facilitating further social upgrading.

The last phase discussed was 2015-2019. With the introduction of the SDGs in 2015, a new global agenda was in place that encouraged various actors, such as academia, the state, industries and NGOs to collaborate. While the Sri Lankan state adopted policies to facilitate achieving the SDGs, political unrest and corruption suggest that the Sri Lankan state's capacity for advancing sustainable development was limited. The example of the Sri Lankan apparel manufacturer MAS, contributing to the majority of Sri Lanka's apparel exports, showcases that social and environmental upgrading opportunities emerged out of a need to appeal to lead firms to remain competitive, as sustainability became part of business strategies in the apparel industry. As sustainability projects have a long-standing tradition in MAS, the manufacturer was able to highlight its contributions to a number of SDGs. This number, however, is very limited, with the majority of MAS' sustainability initiatives contributing to SDG 4 (quality education). Further, the SDGs did not trigger the introduction of new projects for achieving the SDGs. In how far the introduction of SDGs is able to counteract previous instances of uneven social upgrading, as identified during the mid-2000s, seems also to be limited, as no significant changes in the firm's approach to sustainable development measures can be identified. However, as a representative of MAS highlighted, the SDGs served as a guideline on how to measure the success of existing projects focused on sustainable development. Therefore, the SDG targets provided apparel firms with additional tools to calculate the success of their projects instead of solely focusing on invested costs.

All in all, the example of Sri Lanka reveals that previous successes in economic, social and environmental upgrading are critical for apparel firms to align themselves with SDGs. Importantly, these upgrading successes are tightly linked to Sri Lankan apparel manufacturers operating in relational networks with lead firms. The fact that projects focusing on sustainable development within the Sri Lankan industry had a tradition, pre-empting the introduction of SDGs, enabled the Sri Lankan apparel industry to realign existing projects with SDGs. The state also played a vital role in facilitating this development through the introduction of favourable policies and (higher) education programmes, ensuring the industry remained competitive. The driving force was to establish a competitive advantage. While the UN can be identified as a new agent shaping the apparel industry after 2015, it is nonetheless lead firms that exert power in the apparel industry, resulting in Sri Lankan apparel firms focusing on the demands of lead firms. As a result, initiatives aimed at increasing sustainability within the apparel industry focus on specific key areas that lead firms prioritise. Therefore, as the example of MAS shows, manufacturers only contribute to a limited number of SDGs, mainly towards SDG 4 (quality education). As the EEG analysis showed, Sri Lankan apparel firms have a long history of improving education standards in the industry. Therefore, this study finds that the introduction of the SDGs did not trigger a new wave of socio-economic and environmental improvements in Sri Lanka's apparel industry. Rather, the SDGs fostered advancements on Sri Lanka's sustainable development path by establishing new benchmarks for Sri Lankan apparel firms to measure the impact of existing sustainable development practices. The SDGs therefore strengthened sustainable development in the Sri Lankan apparel industry. Future research should investigate the response of Western lead firms to the introduction of SDGs in 2015 and discuss how far SDG compliance can be viewed as a source of value creation in the apparel GVC, as this thesis highlighted that lead firms are essential in shaping sustainability trends in the apparel industry. Moreover, future research should compare the development trajectory of different developing countries in order to investigate what factors shape their ability to achieve greater sustainable development.

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Abstract

In today's world, people are faced with climate change threats, economic crises and growing inequality on a global scale. One industry often criticised for its unsustainable practices is the apparel industry. Sri Lanka is one of the first Asian manufacturing sites that responded to these challenges. Today, the country is one of the few apparel manufacturers that has a reputation for being an ethical and green supplier as well as making high quality products, particularly female undergarments. Yet, Sri Lanka's apparel industry is still under criticism for breaching the workers' rights and environmental damages. Such unsustainable practices need to be addressed. The introduction of the Sustainable Development Goals (SDGs) in 2015 can be regarded as setting a global agenda on how to realise sustainable development by 2030 through mapping out 17 goals in the realm of social, economic and environmental development. This thesis investigates the extent the introduction of SDGs contributes to advancing social, economic and environmental upgrading by taking the Sri Lankan apparel industry as a case study. To do so, the evolutionary economic geography approach and the global value chain (GVC) are combined to assess the trajectory of sustainable practices in the Sri Lankan apparel industry. The findings suggest that due to its unique development trajectory in the apparel GVC, distinguished by social, economic and environmental upgrading, Sri Lankan apparel manufacturers could marshal these previous advancements towards sustainable development in response to the implementation of the SDGs.

Zusammenfassung

In der heutigen Welt bedrohen Probleme wie der Klimawandel, Wirtschaftskrisen und wachsende Ungleichheit die Menschheit auf einer globalen Ebene. Auch die Bekleidungs- und Textilindustrie wird dafür kritisiert, mit nicht nachhaltigen Praktiken zu diesem Problem beizutragen. Sri Lanka ist einer der ersten asiatischen Produktionsstandorte, der auf diese Herausforderungen reagierte. Heute ist Sri Lanka einer der wenigen Produktionsstandorte in der Bekleidungsindustrie, der einen guten Ruf als ethischer und umweltbewusster Produzent hat und qualitativ hochwertige Produkte, insbesondere Unterwäsche für Frauen, herstellt. Dennoch steht die Bekleidungsindustrie Sri Lankas nach wie vor in der Kritik. Deshalb mussten Lösungswege entwickelt werden, um diese Probleme zu mindern. Die Einführung der Ziele für nachhaltige Entwicklung (SDGs) im Jahr 2015 kann als eine Agenda für Länder auf der ganzen Welt angesehen werden, um gegen die Probleme der heutigen Zeit vorzugehen. In dieser Arbeit wird untersucht, inwieweit die Einführung der SDGs positiv dazu beiträgt, die soziale, wirtschaftliche und ökologische Aufwertung innerhalb der Bekleidungsindustrie voranzutreiben. Um dies zu analysieren, wird in einer Fallstudie die Bekleidungsindustrie von Sri Lanka untersucht. In dieser Arbeit werden der evolutionäre wirtschaftsgeographische Ansatz, sowie der globale Wertschöpfungskettenansatz (GVC) als Theorien herangezogen, um die Entwicklung nachhaltiger Praktiken in Sri Lankas Bekleidungsindustrie zu untersuchen. Die Ergebnisse deuten darauf hin, dass die Bekleidungsindustrie Sri Lankas aufgrund ihres einzigartigen Entwicklungspfads in der Bekleidungsbranche, der sich durch soziale, wirtschaftliche und ökologische Verbesserungen auszeichnet, frühere Fortschritte in Richtung nachhaltigerer Entwicklung nutzen konnte, um ihren Beitrag zu den SDGs zu demonstrieren.