

**YANGON UNIVERSITY OF ECONOMICS
MASTER OF ECONOMICS**

**A STUDY ON THE EXPORT OF GARMENT INDUSTRY
IN MYANMAR**

MAY THU AUNG

MAY, 2018

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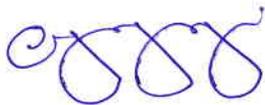
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**A STUDY ON THE EXPORT OF GARMENT INDUSTRY IN
MYANMAR**

A Thesis submitted as a partial fulfillment of the requirements for the
Degree of Master of Economics, M.Econ (Economics)

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**YANGON UNIVERSITY OF ECONOMICS
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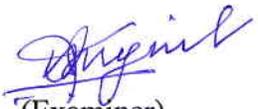
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ABSTRACT

The garment industry forms a significant manufacturing base of many developing countries. The garment industry provides input to the clothing (or apparel) industry, providing strong vertical linkages. The garment industry is labour-intensive and it provides employment to those with simple skills, including women. The mass production segment focus on low-cost, standard products and at the lower-end it may also outsource to household production. Myanmar is low wage economy, with comparative advantage in labor intensive industries, Myanmar already has significant achievements in the textile and garment which remarkable benefits from export. Myanmar has potentials for being more competitive by production CMP garment. The study found that Myanmar garment industry is increase labor-intensive, export to other countries, the garment industry is more labor turnover orientated than other firms because it cannot survive in the competitive global market without good and strong force. If Myanmar export garment industry has technology advance, more export to international market development. In the study Myanmar Export Garment Industry will become more competitive and develop in neighboring countries.

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TABLE OF CONTENTS

	Page
Abstract	i
Acknowledgements	ii
Tables of Contents	iii
List of Tables	v
List of Figures	vi
List of Abbreviations	vii
Chapter 1 Introduction	1
1.1 Rationale of the Study	1
1.2 Objective of the Study	1
1.3 Method of Study	2
1.4 Scope and Limitations of the Study	2
1.4 Organization of the Study	2
Chapter 2 Literature Review	3
2.1 Historical Background of Textile and Garment Industry in Myanmar	5
2.2 Industry Overview; Myanmar Garment and Textile Industry	7
2.3 Important of Textile and Garment Industry in Socio-Economic Development	8
2.4 More FDI Essential for Substantial Increase in Garment Exports	11
Chapter 3 Garment Industry Development in Myanmar	14
3.1 The Myanmar Garment Industry	14
3.2 Garment Production	16
3.3 The Myanmar Garment Industry 10 Year Strategy	18
3.4 CMP System Garment Manufacturing in Myanmar	20
3.5 Implementation of the Strategic Objectives	23
3.6 Other Development Activities in the Garment Industry	27

Chapter 4	Exports on Garment Industry in Myanmar	31
4.1	Trade Policy	31
4.2	Business Environment for Export Oriented Manufacturing	31
4.3	Garment Exports	33
4.4	Export of Garment Industry in Myanmar	36
4.5	Myanmar Garment Export Value to International Market	37
4.6	Myanmar Garment Industry Development Trend	38
Chapter 5	Conclusion	40
5.1	Findings	40
5.2	Suggestions	42
References		44

LIST OF TABLES

Table No.	Title	Page
3.1	Four-year Plan of Action	24
3.2	Summary of Other Initiatives in the Garment Sector in Myanmar	28
4.1	Garment Export of Myanmar (2000-2015)	34
4.2	Export of Garment Industry in Myanmar (2007-2015)	36
4.3	Top Ten Garment Exports Countries	37

LIST OF FIGURES

Figure No.	Title	Page
3.1	CMP Versus FOB	21
4.1	Garment Export of Myanmar (2000-2015)	35
4.2	Export of Garment Industry in Myanmar (2007-2015)	36
4.3	Top Ten Garment Exports Countries	38

LIST OF ABBREVIATIONS

ASEAN	Association of South East Asia Nation
CMP	Cut, Make and Pack
CMT	Cut, Make and Trim
DFID	Department of International Development
DICA	Department of Investment and Company Administration
EU	European United
FDI	Foreign Direct Investment
FOB	Free On Broad
MGMA	Myanmar Government Manufacture Association
MGME	Myanmar Government Manufacture Enterprise
MIDC	Myanmar Industry Development Committee
MTI	Myanmar Textile Industry
ODI	Overseas Development Institute
RMG	Ready Made Garments
SET	Supporting Economic Transformation
UMEHL	Union of Myanmar Economic Holdings Limited
UN	United Nations
US	United States
WTO	World Trade Organization

CHAPTER I

INTRODUCTION

1.1 Rationale for the Study

The garment and textile industries have been the archetypal drivers of early industrialization in both developed and less developed countries requiring relatively low levels of production technology and abundant cheap labor. Garments in particular have also been the vehicle through which many developing countries initiated manufactured exports as export. The garment industry has brought large numbers of poorly educated workers into the labor market to reduce poverty.

Clothing in Myanmar varies depending on the ethnicity, geography, climate and culture traditions of the people of each region of Myanmar (Burma). For many developing countries and also in developed countries, textile and apparel industries were paid close attention to because they contribute much benefit for the national economy and social welfare.

The garment industries are always trying to improve production and the quality of the garments to sustain in the enormous competitive market. The sustainability and profitability market. The sustainability and profitability of garment industry is governed by the productivity of that industry. Garment manufacturing involves number of operations carried out at different spots by the operators. All these activity need to be performed in synchronized, planned and timely to achieve desired productivity. There are various practices and methods applied in industries to improve productivity of the industries, time study is one of the effective tool used by almost all garment industry for improving production rate.

The garments manufacturing industry is a large export oriented field of Myanmar in term of output, export and employment. At present these manufacturing industries are earning foreign currency about 8% of total exports and the garments industry represent the only exported manufactured goods in Myanmar.

1.2 Objective of the Study

This study is to analyze the export performance of garments industry.

1.3 Method of Study

This study is used on descriptive method which is based on available secondary data and information from the Myanmar Garment Manufacturers Association (MGMA), Myanmar Textile & Garment Directory, Libraries, Various books and Internet Websites.

1.4 Scope and Limitations of the Study

The study focus on the export of garment in Myanmar from 2007 to 2015. This study emphasized on export performance of garment in Myanmar from (UMFCCI) in MGMA.

1.5 Organization of the Study

This thesis is organized into 5 Chapter, Introduction, Objective of the Study, Method of the Study, Scope and Limitation of the Study and Organization of the Study are presented in Chapter 1. Chapter 2 is Literature Review. Chapter 3 describes, Garment Industry in Myanmar. Chapter 4 describes, Export Garment Industry in Myanmar (2007 to 2015). Chapter 5 is the conclusion part which is composed of finding and suggestions.

CHAPTER II

LITERATURE REVIEW

The history of garment traces the availability and use of textiles and other materials. At the same time, the study also helps in tracing the development of technology for the making of clothing over human history. The wearing of clothing is exclusively a human characteristic and is a feature of most human societies. It is not known when humans began wearing clothes but anthropologists believe that animal skins and vegetation were adapted into coverings as protection from cold, heat and rain, especially as humans migrated to new climates. Clothing and textiles have been important in human history. They reflect the materials available in different civilizations at different times. They also reflect upon the technologies that had been mastered in due course of time. The social significance of the finished product reflects their culture.

Textiles can be felt or spun fibers made into yarn and subsequently netted, looped, knit or woven to make fabrics, which appeared in the Middle East during the late stone age. From the ancient times to the present day, methods of textile production have continually evolved, and the choices of textiles available have influenced how people carried their possessions, clothed themselves, and decorated their surroundings.

Sources available for the study of clothing and textiles include material remains discovered via archaeology; representation of textiles and their manufacture in art; and documents concerning the manufacture, acquisition, use, and trade of fabrics, tools, and finished garments. Scholarship of textile history, especially its earlier stages, is part of material culture studies.

The garment industry is a major contributor to the economies of many countries. The industry for Ready Made Garments has been criticized by labor advocates for the use of sweatshops, piece work and child labor. Working conditions in low-cost countries have received critical media coverage, especially in the aftermath of large scale disasters like the 2013 Savar building collapse or the Triangle Shirtwaist Factory fire.

In 2016, the largest apparel exporting nations were China (\$161 billion), Bangladesh (\$28 billion), Vietnam (\$25 billion), India (\$18 billion), Hong

Kong (\$16 billion), Turkey (\$15 billion) and Indonesia (\$7 billion). By 2025, it is projected that the United States market will be worth \$385 billion. It is also projected that the e-commerce revenue will be worth 123 million in the United States by 2022.

Myanmar's garment producers face various challenges, including intensifying regional competition, rising labour costs, and regulatory and economic risks, the latter of which have contributed to slowing foreign direct investment recently. Nonetheless, these issues have not stopped the rapid expansion, nor dampened enthusiasm. "The garment industry in Myanmar produces high-quality products at a fraction of the cost of neighbouring exporters like Bangladesh and Vietnam," Alexander Jaggard, the Myanmar country representative at Mekong Economics, a Vietnam-based consultancy, told OBG. "So long as the industry can maintain its competitiveness as labour standards and pay improve, it has the potential to grow dramatically, particularly as the industry's main players look for alternative production bases."

The industry dates back to the late 1980s, when a handful of state-owned and military-related firms partnered with Hong Kong and Korea-based manufacturers to set up production facilities in Myanmar. From around \$200m in foreign sales in 1997, sector exports grew to more than \$700m in 2000 and \$800m in 2001, before falling to around \$650m in 2002/03, according to the International Labour Organisation (ILO). In 2003 the US brought sanctions against Myanmar, and this was followed a year later by EU sanctions, pushing sector exports down to less than \$300m by 2005. In the mid-2000s, however, local manufacturers began developing export relationships with new trade partners in East Asia. Over the ensuing decade this strategy paid off. The major export markets today are Japan and South Korea, each of which account for more than \$250m of Myanmar-manufactured garments. With the US and EU sanctions regimes loosening since 2013, Western firms are once again looking to Myanmar.

As of mid-2015 the industry employed around 260,000 people in 210-250 factories, according to ILO estimates. These figures are still quite low compared to Myanmar's major competitors in garment manufacturing: Bangladesh, which has 3200 garment factories, and Cambodia, with 447. Furthermore, almost all of Myanmar's garment manufacturers operate a cut, make and package business model, with garment design and raw material input sourcing managed by the client brand. The factory, in turn, is responsible solely for assembling the material into garments.

In 2015 the MGMA published the industry's 10-year strategy, which was drawn up with input from local factory owners, trade unions and international brands. The industry aims to improve working conditions and pay in factories, ensure the long-term stability of production lines and competitiveness of the market and, as a result, boost tax revenues, employment and GDP. The blueprint lays out objectives – from increasing access to technology and training to building a local supply chain to developing local brands – and a detailed implementation plan. The long-term objective is to turn the garment industry into “the highest revenue earning industry in Myanmar, penetrating the global market by offering high-quality, value-led products”. The MGMA forecasts considerable expansion in the garment production industry. The strategy document noted that by 2020 it has the potential to hit \$8bn-10bn in exports and domestic employment of some 1m-1.5m workers.

2.1 Historical Background of Textile and Garment Industry in Myanmar

Since the time of Myanmar Kings household and cottage industry of textile (both of cotton and imported silk from Yunnan) and clothing (cotton ginning, spinning, weaving, garment-making, etc) for local use have been developing throughout Myanmar.

During the colonial period, indigenous-textile and clothing cottage industry survive in spite of the English made quality textile and cloth importation and marketing in Myanmar, especially after the opening of Suez Canal in 1869.

After independence, during 1950s and early 1960s it developed with the support of the government Myanmar had exported quality nylon fabrics to the neighboring countries, even to Thailand. Almost all of the textile factories were owned by the renowned private companies.

The local textile industry although not modern is to a certain extent sufficient for some of the population needs. The local garment industry in the early part of twentieth century (before Socialism) was regarded as the most advanced in South East Asia and was acknowledged as the shopping paradise especially for its fashion ware.

During the start of socialism (1962) much of the skills and businesses that developed this industry left for other countries. Since that time the local, textile industry, which caters for the local market, has been static (technology and supporting industries) even till today. Then, the socialist regime started in 1962 and the government nationalized the private enterprises and businesses, including micro-

businesses in 1964. Since that time, till 1989, private sector, except small businesses and street vendors, died down. Former textile factories become "State-owned Enterprises" (SOEs) under the Ministry of Industry No.1. Even during the socialist era Myanmar Textile Industry was exporting garments for "Arrow" a well-known leading brand name for shirts.

After 1988, "market oriented economic reforms" were introduced. The major turning point for Myanmar's garment industry was with the advent of the market economy in 1990, which essentially allowed foreign business to operate freely in Myanmar. Private garment factories, especially the CMP industries have been set up since 1994, starting with just 25 factories, located in Yangon. The first factories were from Korea followed by other East Asian countries, Taiwan and Hong Kong. But, it grows up to 291, within the span of 5 years. There were 380 companies who registered to export garments in 2000. The export garment industry is a major foreign exchange earner for the economies of developing countries because of its inherent low labor cost component. However, in Myanmar's export garment industry is still in infancy and has yet to reach its highest export earnings.

The Myanmar garment industry is dominated by foreign companies such as Korea, Japanese, Taiwanese and Chinese manufacturers. In various cases, brands have urged their Chinese and Korean suppliers to set up factories in Myanmar in order to benefit from the favourable conditions, most notably low labour cost. It is not possible for foreign companies to own land, although foreign manufacturers setting up production facilities in Myanmar may lease land from the state or from private individuals.

A considerable number of workers in the Myanmar garment industry are internal migrants coming from rural area where employment opportunities are scarce. The vast majority of Myanmar's garment factories operate under the 'Cut-Make-Pack' (CMP) system. This is a form of contract work where the garment manufacturer carries out the labour-intensive task of cutting the textile fabric, sewing garments together according to design specifications and then packing the garment for export to international markets. Under this model the buying company (clothing brand, retailer or buying house) is responsible for supplying the factory with the necessary input, including threads, buttons, zips, labels, linings and most of the packaging, and for shipping the goods to their final destination.

During the sanction period manufacturers were engaged in FOB manufacturing, sourcing fabrics from local suppliers. FOB means 'Free on Board' or sometimes 'freight-on-board'. Under this approach, retailers simply place orders at highly-capable and well-financed factories in overseas markets. The factories are responsible for production the garments in their entirety and arranging shipments. The buyer is not involved in the production process in this type of manufacturing CMP manufacturing is less profitable. Most of the sanctions were suspended and later lifted when the government stepped aside in 2011 and a quasi-civilian government was installed. Since then, foreign investment has grown sharply.

2.2 Industry Overview: Myanmar Garment and Textile Industry

With the change in the political scenario, Myanmar is trying to establish itself as a leading manufacturing hub. The ongoing quest for low cost production has drawn manufacturers' attention to the clothing industry in Myanmar. The country has a long history of making yarn, fabric and garment. According to the Myanmar Garment Manufacturers Association (MGMA), exports from the nation's 200 garment factories, 195 of which are privately held, reached US\$770 million in 2011.

The key export markets are Japan (US\$348 million) and South Korea (US\$232 million), with remaining exports going to Brazil, Argentina, South Africa and Turkey. Since the US has planned to lift most of trade sanctions, about 85% of the nation's exports were apparel and textiles of which an estimated 25% went to the U.S. Currently; Japan is Myanmar's largest garment customer, with shipments of US\$243m taking a 34% of total clothing exports.

Currently, there are over 200 garment factories in Myanmar, employing about 20,000 people. Myanmar has been 19 foreign companies entering the country's garment industry within the last eight months of 2012. These includes Costic International Co., Ltd. Honeys Garment Industry Ltd, Nadia Pacific Apparel Co. Ltd, Manufacturer GFT Enterprise Co. Ltd, JS Filter Co. Ltd, Eurogate Sportsware Ltd, THY Garment Co, Ltd, Shinsung Tongsang Inter Co. Ltd, Korea Link Industrial Co. Ltd & Mac Do Co Ltd.

Further, some of Thailand's top garment companies will be moving their operations to Myanmar soon. The Myanmar Investment Commission has allowed six foreign companies to run garment factories and to take advantage of lower wages by

the second half of this year. The companies would start operations by investing about US\$10 in each plant for a total of US\$60 million.

Outsourcing labor to Myanmar offers significant cost savings to western manufacturers, as Burmese workers are among the lowest paid in Asia, earning an average US\$2 per day versus US\$20 per day in neighboring Thailand. But, it is not just the cheaper and abundant labor, but the investment and tax incentives, the Myanmar government is offering for those manufacturers established in special economic zones which are attracting interest. Incentives include a 5 year holiday on tax, custom duty exemptions on imported machinery and equipment as well as the value of the machinery being considered part of the capital investment requirement.

Although Myanmar currently pales by comparison to its regional neighbors, there remains the possibility that the nation will develop into a viable apparel sourcing destination. The country's predicted economic growth and the low-cost of labor are seen as pros for foreign companies. A significant amount of education and training is also needed to bring factories up to a level to meet international standards required by major retailers and brands. But if the necessary investments are made to ease certain problems, experts believe that the Myanmar will be the new textile and clothing supplier country to watch.

2.3 Important of Textile and Garment Industry in Socio-Economic Development

Myanmar's political reforms which had been performed starting from 2011 can be said to be successful to some extent. It is of great importance to bolster with deep-rooted economy and stable communities to strengthen the political reforms accomplished until now. In other word, it needs to simultaneously carry out economic and social reforms together with political reforms. As for a nation with many fundamental necessities such as techniques, skills, capitals and etc., there are actually only a limited of works and industries for the socio-economic development for Myanmar.

2.3.1 High Incomes for Workers

Garment and textile industry is the one for workforce in Myanmar to fetch high incomes, to get job opportunities as well as to fetch much foreign exchange for the country. It can create many job opportunities for workers who cannot finish the basic education, being a sector which can train occupational skills needed, in a short period of time. Had it successfully been implemented, it would be a potential sector which would create jobs enough not only for those who had to work in neighboring countries such as Thailand and Malaysia but also for local citizens. Just by managing to bring about strengthening policies, reasonable wages and fringe benefits, and if necessary finding market and starting capital for investment as for the government, it is a sector which can develop rapidly in a short period of time.

In the periods prior to the economic sanctions imposed in 2003 Myanmar Garment Industry was a comparatively developed one, employing over 300000 laborers. But, in a year just after the economic sanctions were imposed more than 100 factories were closed, rendering some 50000 workers jobless. Starting from 2011 when democratic reforms commenced to be made in the country garment industries revived again. In Myanmar, Cut-Make-Pact [CMP] System has been being exercised. In future, it is said that Free on Board [FOB] System will be exercised. Amounts of exports from the textile industry from 2012 to 2015 increased from US\$ 0.91 billion to 1.46 billion. According to the statistics released by the government exports values amounted to US\$ 1.6 billion in the period of first 11 months of the year 2017.

2.3.2 Jobs Expected in 2020

Myanmar garment entrepreneurs' federation expected that in 2020 the industry could employ up to 1.5 million workers in 2020, likely to export US\$ 8-10 billion. The major markets of Myanmar's garment products are European Union countries. According to data of 2016 its expected value amounted up to US\$ 950 million, 45 percent of the total garment export value, followed by Japan 31 percent and Korea 16 percent respectively.

According to the survey made by international research teams most of the garment industries are situated in the surrounding area of Yangon city. Statistics released by the Myanmar Garment Entrepreneurs' Federation show that more than 200 garment factories are located in Yangon area, employing migrant workers from local areas, of whom 94 percent are females from Ayeyarwady Region, Rakhine State,

Bago Region an Magwe Region. Most of the workforce mainly works in sewing rather than cutting, packing and other jobs. The girls, mostly those under 25 could not finish their basic education, dropping out schools. Over 90 percent of laborers are working in foreigner-owned factories, it was learnt.

When assessed over the said findings, for the girls from various parts of the nation who cannot proceed to the higher education creation of jobs with respectable status, reasonable wages and freedom from too hard and dangerous situations can be regarded to be a necessity of great importance for social securities of the national populace.

2.3.3 China's Export of Garment

World Trade Organization WTO released that People's Republic of China was the country which exported most of the global garment products according to the World Trade Statistical Review 2017, amounting to export value US\$ 160 billion, 36.4 percent of the total, followed by EU 28 countries amounting to US\$ 4117 billion, 26.4 percent. As for the individual countries, Bangladesh stood second. In 2016 Bangladesh's garment export reached 26 billion. In the regional countries Bangladesh was followed by Vietnam [US\$ 25 billion], India [US\$ 18 billion], Hong Kong [US\$ 16 billion], Indonesia [US\$ 7 billion] and Cambodia [US\$ 6 billion].

It is said that Vietnam's surplus value from commerce in 2016 reached US\$ 15 billion because of the increase in income from textile and garment industry. Generally, Vietnam used to export its garments to US, EU, Japan and South Korea but not it started to expand its market to PRC, Russia, Cambodia and other new markets. So, Vietnam's textile and garment industry can be said to have developed greatly.

2.3.4 Creation of Job Opportunities

In 2016, the People's Republic of China which exported most of the garment in the world managed to create a total of more than 4.5 million jobs in garment industries, with Bangladesh creating 4.8 million, India 15.6 million, Vietnam over 2.3 million and Indonesia over 3.4 million respectively in the same period. Myanmar followed them, employing over 692000 in garment factories, according to 2015 statistics.

2.3.5 Prospects on Investment in the Industry

Though PRC is leading all in the textile and garment industry in the world, it is expected that it was likely to decrease due to higher land rental rates and increasing labour charges. But its total trade value of the industry is extremely greater than other countries so it will lead on ahead of them. Similarly, with the increasing labour charges in Vietnam which is rapidly developing in the textile industry and insecure states of garment factories in Bangladesh investors are becoming interested in Myanmar with lower labour charges and prospects to develop in the industry, it was learnt.

It is — eagerly or reluctantly to invest, it is incumbent upon our country to make arrangements of creating better environments such as emergence of strengthened policies, safety and security of factories, cooperation between employers and employees, designation of reasonable wages and other necessary matters for influx of foreign direct investment to come into the country for the sake of the State and socio-economic development of the people.

2.4 More FDI Essential for Substantial Increase in Garment Exports

The briefing paper Foreign direct investment and economic transformation in Myanmar, written by Stephen Gelb, was published in June 2017 by Supporting Economic Transformation (SET). Funded by the UK Department of International Development (DFID), SET is an Overseas Development Institute-led (ODI-led) program which aims to provide practical policy support to governments and their partners in development countries. The Overseas Development Institute is a London-headquartered think tank specialising in international development and humanitarian issues.

The briefing paper is a summary brief of the ODI report of the same title. The report explores the potential for FDIs, including from China, to contribute positively to economic transformation and poverty-reducing growth, focusing mainly on garments and construction.

In value terms, China is the largest foreign investor in Myanmar, and power and oil and gas are the largest sectors, based on data provided by the Department of Investment and Company Administration (DICA). But Chinese and Hong Kong investments are substantial in the garments sector as well.

The briefing paper argued that FDIs in Myanmar's garments industry has been significant and that the sector is a major job creator. As of mid-2015, about 55 percent of registered garment firms in the country were known to be fully or partly foreign-owned, according to data from the Myanmar Garment Manufacturers Association. Among them, a quarter came from China, 17pc from Hong Kong, 29pc from South Korea and 12pc from Japan. The publication stated that foreign-linked firms supply almost all garment exports, and these have surged in recent years. The lifting of EU and American sanctions helps further boost export growth.

The industry creates a lot of jobs, with around 200,000 employed in total in mid-2015, and a quarter of the workforce were hired in Chinese and Hong Kong firms. However, the paper argued that these foreign-linked garment firms have produced few benefits, linkages or spillovers in Myanmar beyond export and job creation. It further pointed out that the foreign-owned firms have very few local managers, reflecting the country's shortage of high-level skills. The publication argued that FDIs are essential in the garments sector. "... Myanmar cannot meet its [garment exports] target in either sector [garments or construction and infrastructure] without substantial numbers of new mid-size firms. "Since competitive local firms have not emerged in large numbers, more FDI is essential in both sectors, and China is the most likely source, given its economic size and geographic proximity," it stated.

It recommended the country to ease entry restrictions and get rid of "cumbersome procedures", which discourages transparent formal entry by international businesses. "Myanmar should further ease entry and undertake active investment promotion in garments and other labour-intensive exports such as footwear... "Entry of Chinese and other foreign garment assemblers could also be encouraged through engagement with buying firms, especially global retail or apparel corporations," it noted. Additionally, three solutions were suggested to tackle Myanmar's shortage of entrepreneurial, management and technical skills in the garments sector. The short-to-medium term measure is "labour circulation" - the movement of foreign and domestic skilled employees from international businesses to existing and new local ones. Entrepreneur support policies should also be made available to international businesses to existing and new local ones. Entrepreneur support policies should also be made available to foreigners as well as the Myanmar diasporas.

In the longer term, the country should develop tertiary educational institutes which are dedicated to the garments industry in order to increase the supply of managers and technicians in the sector. The paper called for various financial and trade reforms, such as making access to trade credit possible for garment exports and providing tariff-free fabric imports to both free-on-board (FOB) and cut-make-package (CMP) producers. Foreign direct investment and economic transformation in Myanmar also analysed the FDIs in construction and infrastructure sectors.

CHAPTER III

GARMENT INDUSTRY DEVELOPMENT IN MYANMAR

3.1 The Myanmar Garment Industry

The garment industry is increasingly important to the Myanmar economy. The market experienced strong growth in the 1990s and 2000s and accounted for 40% of national exports. However by the mid-2000s, economic sanctions from key importing countries had significantly impacted the sector, earnings decreased from USD \$ 829m in 2001 to USD \$ 312m in 2005. Following political reforms and the lifting of sanctions in 2007m garment export increased. According to the Myanmar Garments Manufacturers Association (MGMA), Myanmar exported just over US\$ 330m in 2010 and in 2014 had reached an impressive US\$ 1.5 billion.

These strong growth figures demonstrate the potential of the export oriented garment sector and industry experts suggest that alongside this Myanmar will see significant social and inductive economic progress.

Myanmar does not compete with low-cost, bulk order countries such as Bangladesh, India, Cambodia and Vietnam. Myanmar's garment industry tends to specialize in higher quality, more technical garments. The country has advantages over other regional garment producers including low wages and a ready and abundant supply of labour. Labour shortages and frequent strikes in countries such as Cambodia, as well as significant labour standards risks and health and safety concerns in Bangladesh, are also driving buyers to diversity their sourcing locations. However, constraints to growth still exist in Myanmar, including poor infrastructure, lack of supporting factions, longer lead times and difficulties of doing business.

The global garment industry is a important part of world trade, particularly for trade between developing and developed countries where clothing forms a large proportion of exports. In 2012, world exports of textiles and clothing were worth US\$ 708bn, with clothing alone worth US\$ 423 bn.

In Myanmar, the garment market is important to the economy. Over the last 15 years the value of garment exports from Myanmar has been very up and down. Historically the market experienced strong growth in the 1990s and 2000s, accounting for 40% of national exports before economic sanctions were imposed in the early 2000s. Economic sanctions from key importing countries including the US and

Europe had a significant impact on the size and diversity of the sector with earnings, decreasing significantly, following political reforms sanctions are being lifted. The value of garment exports is increasing and has more than doubled since 2007 with exports to Europe beginning to increase slightly. Based on data provided by the Myanmar Garment Manufacturers Association (MGMA)

The market history combined with strong growth figures demonstrates the significant future potential of the export orientated garment sector. Conversations with industry experts suggest that many in the industry see this period as a potential for a new start in the sector and a chance to get things right first time partnering sector growth in other countries (eg Cambodia), some in the industry see no reason why the garment sector in Myanmar might not grow from 210 to 1500 factories over the next decade with a twelve fold increase in exports volume.

Garment industry export revenues are increasing significantly each year and the continued growth of the industry will surely create hundreds of thousands of new jobs in years to come. It has great potential and currently sustained growth as international investors and retailers see their investments making returns. The Gap clothing company officially announced the volume of products it was sourcing from Myanmar had tripled in the period from June 2014 to June 2015 Famous international brands including H & M and Marks & Spencer have shown a growing sourcing interest in Myanmar following the easing of sanctions.

Myanmar's garment industry began rather humbly back in the early 1990s and reached its best stretch of steady, profitable production between 1998 and 2001. It was one of the few industries in Myanmar that did well over the period. But, when new US and European sanctions were imposed on Myanmar in 2001 in response to reported crimes against humanity it tremendously effected the sector. According to International Labour Organization (ILO) data, in 2000, garment export value reached \$ 817 million (second largest export industry in Myanmar) and the US market made up about 65 percent of the garment shipped. At the same time, 38 percent were shipped to Europe while the remaining 7 percent went to other countries.

Following the lifting of European and American export sanctions on Myanmar the country's garment sector is now experiencing new levels of growth. Amongst Myanmar's export sectors, the garments sector is ranked fourth, according to DICA. According to World Trade Organization (WTO) statistics, Myanmar's total export value of garments reached \$ 986 million (8.9 percent of the economy's merchandise

exports) in 2014, nearly triple that of 2010 (\$ 337 million or 3.9 percent of the economy's total merchandise exports). According to the MGMA (Myanmar Garment Manufacturing Association), garment exports jumped to \$ 1.46 Billion in 2015 and accounted for 10 percent of the country's export revenues. At the end of December 2016, the export value is expected to be over \$ 2 Billion. Myint Soe, Chairman of the MGMA, predicted garment export value will reach up to \$ 3 million in 2017 if the sector can reach a production situation similar to the circa the millennium.

3.2 Garment Production

It's estimated there are over 450 garment industries in Myanmar focusing on the export market. These industries are largely concentrated in industrial zones in and around Yangon. The majority of factories operate under the CMP model, which means all raw materials are imported and designs, patterns and instructions are provided to the industry. With CMP, profit margins are low as there is limited value added by the industry. An alternative production model is Full Service Manufacturing (also known as Free on Board), (With Full Service Manufacturing (also known as Free On Board).

With Full Service Manufacturing, factories arrange the purchase and import of raw materials, and provide other services such as garment design, merchandising, logistics and warehousing. This approach can significantly increase margins. However, few industries in Myanmar have the space, skills or access to credit to support this type of operation. There is a significant range in industry size, ownership and capability. In terms of ownership, 75-80% are foreign owned or a joint venture, while the remaining 20-25% of domestically owned factories is decreasing.

In terms of industry size and capability there are around 20 "top-end" industries with more than 1,000 workers, modern machinery and established high standards for quality, productivity, efficiency and working condition. These factories are mainly foreign owned or joint ventures that work with international brands. There are around 30 medium sized industries with 500-1,000 workers, producing high quality products but which would benefit from productivity and labor standards upgrading. These industries are a mixture of domestically owned and joint ventures. At the lower end are industries with fewer than 500 workers.

These industries focus on basic CMP production and typically have low labor standards and significant room for improvement in management skill, technology and

productivity. There are several issues with production and productivity in Myanmar. Defect rates are high with 20-25% of garments requiring repair. Efficiency is low, with production taking up to three times as long as the industry standard. Management is not familiar with key productivity concepts and does not collect accurate data or analyses productivity. Owners of domestic factories often assign relatives or trusted friends to management positions, rather than hiring people with management skills and experience.

There are a number of common issues with production and productivity in Myanmar. Our work with two industries in our action learning activity suggests that defect rates are height with 20-25% of garments requiring repair. Efficiency is also low with the time taken per item up to 3 times as long as the industry standard time. Management are not aware of key productivity concepts and did not keep accurate information on productivity beyond. Total number of items produced per line. On the management side, many domestically owned industries appoint relatives or trusted friends into the business rather than people with management skills and experience.

Performance of Garment Industry

Garment production techniques in Myanmar remain basic. It is focused on the CMP model which does not provide the full service that many international buyers require. This in turn makes the industry less attractive as a sourcing location as other destinations such as Bangladesh, Vietnam, and Cambodia are able to offer a fuller service and less inconvenience for buyers.

Garment industries in Myanmar typically underperform in a number of productivity areas including efficiency, quality (defect rates) and specialization. This has a significant impact on the cost of production which is higher in Myanmar than elsewhere.

Garment industries typically fact worker issue including high turnover and absenteeism leading to a lack of trained and skilled labor. They are also underperforming with respect to worker welfare, social compliance and child labor issues.

The Cut – Make – Pack (CMP) garment industry stands third on the list of export items as its export earnings reached nearly CL\$ 700 million during four months of this fiscal year, according to the Commerce Ministry.

Myint Soe, the chair of Myanmar Garment Entrepreneurs Association said, "In the past the sector had to rely heavily on the Japanese market. Now it receives more orders from the EU market. The sector is expected to fetch US \$ 3 billion this year."

The EU places more orders other the reinstatement of Generalized Scheme of Preferences rights to Myanmar. In the past many companies from South Korea and Japan invested in the sector now the sector sees on inflow of investments from China as well. The ECL stands first, followed by Japan. Four to six factories invest every month.

Efforts are being made to shift from a CMP system to a free – on – board (FOB) system. In the long term, on increase in value added production of the country's major export products – farm produce, natural resource and marine products – has limitations. This means the commerce ministry will have to turn to increase exports of industrial products and invite foreign investments that encourage export sector.

3.3 The Myanmar Garment Industry 10 Year Strategy

In 2015, with the assistance of the International labor Organization (ILO) and the British Council's Pyoe Pin program, the Myanmar Garment Manufacturers Association (MGMA) was launched under the 'Myanmar Garment Industry 10 year Strategy'. The strategy aims to create abundant job opportunities, to gear up export volume and create a sustainable manufacturing industry in the country in the country. The strategy set out various goals over the next decade and detailed what needs to be accomplished and the expectations of Myanmar's garment sector should have about market growth in the near future. To achieve this vision, the industry needs to change the way it works – moving from Cut-Make – Pack (CMP) to Freight on Broad (FOB) and, ultimately, Own Design Manufacture (ODM)/own Brand manufacturing (OBM). Education and training must be provided along with supply- chain growth and the development of key existing markets. Japan and the Republic of Korea and the EU (the United Kingdom, Germany and Spain) and new markets, the US, other EU members, Canada and the Russian Federation.

Currently, almost all factories in the Myanmar garment sector are operating under the Cute – Make Package (CMP) system. According to their business models, Garment factories worldwide fall into four primary categories: (1) Cut, Make and Package system, (2) Original Equipment Manufacturer (OEM) system, (3) Original

Design Manufacturer (ODM) system and (4) Original Brand Manufacturing (OBM) system.

The Cut, Make and Package (CMP) system is usually the entry stage for a manufacturer in the garment value chain. Foreign buyers with financial backing and technical expertise will negotiate with garment factories to carry out their labor. Intensive work. Garment factories operating with this production system are found in Cambodia, Sub-Saharan Africa, the Caribbean, Vietnam and Myanmar.

Under the Freight – on – Board system, foreign retailers place orders from well financed factories with technical expertise. Countries whose garment factories operate following this production system include Bangladesh, Indonesia, Sri Lanka and México.

As the saying goes, 'Rome wasn't built in a day' but the stronger the foundations, the more powerful the industry will be. As like other industries in Myanmar, the garment sector is also facing a lack of skilled labor (particularly middle – management) in Myanmar. For this reason, the first few years of development concentrate on training (raising the level of knowledge within the existing industry), worker engagement and advocacy to put the best tools in place to enable development. Vocational training schools dedicated to the garment sector will be established in every industrial zone.

There are six strategies of the 10 year plan;

- (1) Improve the competitive advantage of the Myanmar garment industry.
- (2) Ensure that Full social compliance and social dialogue is practiced at all levels of the industry.
- (3) Build an Apparel Training sector that supports the industry as it develops.
- (4) To build the image, position and brand of the Myanmar garment industry.
- (5) To inform on policy charges which will improve the environment for positive sustainable growth of the textile and garment sector.
- (6) Increase the service potential of trade associations.

Moreover, there are still many challenges to overcome including an underdeveloped supply chain and a lack of access to finance.

The Myanmar banking sector is vastly under-developed even compared to neighboring countries. But, positively, the banking sector has taken two crucial steps. In January this year a new financial institutions law was passed to pave the way for

mobile banking. Myanmar's banking system was closed for decades to foreign banks. In May 2016, the Government gave the green light to 13 foreign banks to operate in Myanmar and began providing credit to local banks and financial institutions as well as foreign companies. To boost the smooth transition from CMP to FOB, MGMA is urging for changes in government policies which will improve the enabling environment for positive, sustainable growth for the textile and garment sector.

In March 2015, the first National Export Strategy (NES) was launch by the Ministry of Commerce, with technical assistance from the International Trade Centre (ITC) and financial support from Germany's Federal Ministry for Economic Cooperation and Development j(BMZ) and implementation support from the German Agency for International Cooperation (GZZ). It was designed to fuel the country's sustainable development through export promotion by securing public policies, improving critical infrastructure, adopting worker protection and encouraging environmentally – friendly practices. Government policy changed through efforts from key financial and technical partners including the MGM.

According to Myint Soe, Chair of the Myanmar Garment Manufacture Association, the process of transition from Cut, Make and Package (CMP) to Freight–on – Broad (FOB) is between 50 per cent almost 75 per. Cent complete. He anticipates that the Myanmar garment sector will reach \$ 10 Billion in sustainable growth over the coming years and will create around 1.5 million new jobs.

3.4 CMP System Garment Manufacturing in Myanmar

The garment industry in Myanmar is the CMP system manufacturing. The term CMP is cut, make and pack of the garment. CMP garment manufacturing is not only manufacturing industry but also service industry. Due to service oriented nature the overall process like cutting making and packing the garment are the nature of garment manufacturing under the title of CMP system. Some country uses another term CMT system which is cut, make and trim.

In CMP system garment industry, buyer has to provide raw materials such as Fabric and accessories for example thread button and so on. The factory will make cutting, sewing and packing according to the buyer's order and specification before the shipment of the finished products. Quality control is the vital role for the export products in every single stage. Quality inspection is done by buyer side. The garment factory will earn only sewing charges. Therefore CMP garment industry has dual

nature of manufacturing industry and service industry. The functions of CMP system in Myanmar are:

Raw materials, Fabric and accessory are owned by the buyer or customer and they send raw materials to Myanmar by sea or by Air. Freight charges are paid by customer in CIF terms. The finished goods are exported to buyer or customer's country by sea or by Air. Freight charges are paid by the customer in FOB terms. The garment factory earns CMP charges per piece from customer or buyer. The government has provided CMP garment factories with tax exemption on their imports of raw materials, fabric and accessory which were used to manufacture garment for the export market. Under the Myanmar Investment omission, CMP Company will enjoy three for exemption. After exemption period, 10% of CMP earning is cut by the Government and it translated into per tax. The buyer has to send the CMP charges by Telegraphic Transfer in US \$ currency. But the company can withdraw foreign Exchange Certificate (FEC). FEC rate is lower than US\$ exchange rate in the market. But there is written, one unit of FEC is equivalent to one US\$. All the garment manufacturing for export market is CMP tasted in Myanmar. Therefore CMP garment manufacturing is a labor – intensive industry and it creates job opportunity and reduces poverty and unemployment in the region.

Figure (3.1) CMP Versus FOB



Source: Myanmar Garment Manufacture Association (MGMA)

3.4.1 CMP Dominancy Tinges Before FOB Operations Take Shape

When HKLDC Research was in Yangon, industrial sources suggested that there were about 300 export oriented garment factories in the country, operating primarily under 'cut-Make-Pack' (CMP) system, a form of contract work whereby buyers will pay contracting fees to a garment factory in Myanmar to carry labor-intensive tasks, such as cutting fabrics and/or input sourcing process.

In general, these CMP factories can be classified into three categories first, large factories, with a workforce of more than 1000 and usually regarded as market leaders able to produce garment of better quantity. The second group are medium size factories with employ between 500 and 1000 workers. The last group comprises small factories with less than 500 workers and limited machinery capacity, out numbering both the large and medium size factories.

To allow maximum flexibility for foreign investors, the Myanmar Investment Commission (MIC) allow 100% FDI in setting up textile and garment factories in the country. Among Myanmar's garment exporters, large factories are either wholly foreign-owned or operating through joint – venture (JV) agreements between local and foreign companies most of which come from the Chinese mainland, Hong Kong, Japan, Korea and Taiwan. While most of small factories are locally owned, medium size factories are locally owned or operated through JV. Garment Sector to benefit under the Natural Export Strategy

To provide the country with a clear economic development roadmap, the Myanmar government launched its first National Export Strategy (NES) in March 2015, outlining a five year plan that aimed to improve the country's export capacity. Under the NES, seven key sectors were identified to have great potential to drive economic development and employment generation, which included the textile and garment industries.

To resource the sector-specific advantage and complete of Myanmar's garment industry the NES was dovetailed with measures including the development of export infrastructure (e.g. Deep sea prods) production locations (e.g. sector-specific economic zones) country quality standards in compliance with international standards as well as upgrading of the existing regulatory and legal framework to better protect the right of both producers and nor kerns.

In particular, the NES acknowledged the need for the garment industry to move up the value chain, advising it to move towards operations on a 'Free on Broad' (FOB) basis from its current CMP system as a larger tern development goal. In the wake of the NES launch the MGMA has arranged workshop to help factories learn to handle 'FOB' operations, with topics including production planning, merchandising, logistics, communications and audits. Made in Myanmar MGMA's 10years strategy plan.

Under the FOB system, retailers will place orders to factories in overseas market, which are responsible for producing the garments from development, production to exporting. This system of garment production offers more asperities for value retention and addition than CMP as manufacturers cover a wider range of the value-adding activities such as sourcing and design.

Echoing the government commitment to supporting the upgrade of the garment industry by moving from operating on a CMP basis to operating on a FOB basis, in 2015 MGMA published a long-term strategy plan for industrial growth & development for the coming two years, with a focus on responsible manufacturing parties, skills development & facilitating ethical sourcing. These building up the brand label of 'Made in Myanmar'.

3.5 Implementation of the Strategic Objectives

To implement the Strategic Objectives there is a four-year plan of Action which identifies specific goals and the actions required to achieve them.

It is important to recognize that the development process will take time, but that the strong the foundations the more powerful the industry will be. For this reason, the first few years of development concentrate very much on training (raising the level of knowledge within the existing industry), worker engagement and advocacy to put the best tools in place to enable development. The table below shows key actions and milestones around the achievement of the Strategic Objectives, in chronological order. This is followed by the four-year Plan of Action.

Table (3.1) Four-year Plan of Action

Actions 2015	Milestones
<p>1. Improve the competitive advantage of the Myanmar garment industry</p> <ul style="list-style-type: none"> • Middle-management training <ul style="list-style-type: none"> - Recruit from existing HR and management colleges - Engage a team of experts to train the industry • Productivity training <ul style="list-style-type: none"> - Co-ordinate productivity training across factories • Training for FOB <ul style="list-style-type: none"> - Pre-production, communications, logistics, sourcing • Syndication of small-to medium-sized factories • Increased capacity and pool resources • Advocacy <ul style="list-style-type: none"> - Policy on taxation, finance, labour - Improvements to infrastructure (power, transportation, ports, communications, etc) 	<p>First MSG meeting. Agreement between stakeholders including the government to have a joint advisory body to implement the 10-year strategy and the NES</p> <p>Technical group on taxation established</p> <p>Government adopts policy measures that support the move from CMP to FOB</p>
<p>2. Ensure that full social compliance and social dialogue is practiced at all levels of the industry</p> <ul style="list-style-type: none"> • Development of a labour market strategy <ul style="list-style-type: none"> - To be led by tripartite constituents (employers, workers and government) • Child Labour remediation <ul style="list-style-type: none"> - MGMA Policy (statement first step) - Training provision for under-age workers - ID cards child labour - Development of Guidelines and training for factories on dealing with and preventing new cases • Clear ethical guidelines <ul style="list-style-type: none"> - Disseminate code of conduct, and monitor implementation • Worker engagement <ul style="list-style-type: none"> - Establish workplace committees, best work practices - Work with Unions 	<p>Code of Conduct Published</p> <p>US delegation on labour reform bilateral conference</p> <p>Task force on environmental issues established</p>

<p>3. Build apparel training sector that supports the industry as it develops</p> <ul style="list-style-type: none"> • Communications <ul style="list-style-type: none"> - Languages training in factories - IT and business skills training • Training school <ul style="list-style-type: none"> - Identify partners and funders 	<p>Task force on Training and education established</p>
<p>4. Build the image, position and brand of the Myanmar garment industry</p> <ul style="list-style-type: none"> • Ethical industry <ul style="list-style-type: none"> - Industry promoted internationally as embracing ethical ideals • Improved access to markets <ul style="list-style-type: none"> - Through B2B - Through improvements in social compliance 	<p>Media Strategy developed</p>
<p>5. Inform policy change which improves the enabling environment for positive, sustainable growth of the textile and garment sector government</p>	<p>International conference with brands, MGMA and government around informed policy change to improve the business environment</p>
<p>6. Increase the service potential of trade associations</p> <ul style="list-style-type: none"> • Engaging with Korean and other trade associations in Myanmar • Engaging with Unions 	
<p>Actions 2016-17</p>	<p>Milestones</p>
<p>1. Improve the competitive advantage of the Myanmar garment industry</p> <ul style="list-style-type: none"> • Establish Quality guidelines <ul style="list-style-type: none"> - Train factories in the guidelines - International quality certification (BSCI, SGS, ISO, WRAP) • Strategy for specialization <ul style="list-style-type: none"> - Professional sourcing agents support the industry - Sourcing database • Upgrade industry technology <ul style="list-style-type: none"> - Invite CAD/CAM suppliers to train 	<p>MGMA With human and financial resources to meet needs of membership</p> <p>Policy measures adopted that support FOB</p> <p>FOB terms delivered by 10% of the industry Industry wide specialization agreed</p>

2. Ensure that full social compliance and social dialogue is practiced at all levels of the industry	Free of Child Labour
3. Build an apparel training sector that supports the industry as it develops	Training school Established in Yangon for vocational and middle-management training
4. Build the image, position and brand of the Myanmar garment industry • Factories to liaise with brands and buyers - Training on downward supply chain and marketing to buyers	
5. Inform policy change which improves the enabling environment for positive, sustainable growth of the textile and garment sector	
6. Increase the service potential of trade associations	
Actions 2018-19	Milestones
1. Improve the competitive advantage of the Myanmar garment industry	20% of fabric and trims available through locally based suppliers 20% of support supplies provided by local manufacturers Machinery and technology suppliers established in Myanmar
2. Ensure that full social compliance and social dialogue is practiced at all levels of the industry • Worker engagement	JCC or WCC established in every factory Worker attrition down by 50% across the industry
3. Build an apparel training sector that support the industry as it develops	Training schools around Myanmar Near SEZ and other factory clusters
4. Build an apparel training sector that supports the Myanmar garment industry	Ethical industry Industry known internationally for ethical and sustainable manufacture
5. Inform policy change which improves the enabling environment for positive, sustainable growth of the textile and garment sector	Government adopts environmental policies
6. Increase the service potential of trade associations	
Actions 2020-22	Milestones
1. Improve the competitive advantage of the Myanmar garment industry	US\$ 10 billion industry Employing 1.2 million people
2. Ensure that full social compliance and social dialogue is practiced at all levels of the industry	Productivity raised by 50% across the industry Garment sector known as a favourable place to work

3. Build an apparel training sector that support the industry as it develops	Fashion Institution established Merchandising, Design, and Fashion Marketing
4. Build the image, position and brand of the Myanmar garment industry • Brand the industry	'Made in Myanmar' known for ethically-and sustainably-produced goods
5. inform policy change which improves the enabling environment for positive, sustainable growth of the textile and garment sector	Waste water plants in every industrial zone
6. Increase the service potential of trade associations	
Actions 2023-24	Milestones
1. Improve the competitive advantage of the Myanmar garment industry	FOB terms being delivered by 50% of the industry 5% of the industry running ODM 50% of support products manufactured local 50% of fabric and trims available through locally based suppliers
2. Ensure that full social compliance and social dialogue is practiced at all levels of the industry	Employing 1.5 million people Strikes are rarely held Industry held up as example of best-practice in manufacture
3. Build an apparel training sector that supports the industry as it develops	First Design graduates from Myanmar Institute of Fashion Design Industry supported by a fully responsive training sector
4. Build the image, position and brand of the Myanmar garment industry	Made in Myanmar synonymous with ethical manufacture, high-quality goods and a full service industry. Becoming known for existing design and innovation.
5. Inform policy change which improves the enabling environment for positive, sustainable growth of the textile and garment sector	
6. Increase the service potential of trade associations	

Source: Myanmar Garment Manufacturers Association (MGMA)

3.6 Other Development Activities in the Garment Sector

The garment section in Myanmar is currently experiencing a interest from other donor programmes. A summary of the activities of other programmes is provided in Table below. Analysis of these activities shows that no programme is taking a pro-poor

market systems approach yet in the market and therefore we consider that there is still space for useful BIF interventions. That said, the BIF programme is committed to working alongside other programme to share and collaborate as well as to ensure no duplication of efforts. The presence of other actors in the market can serve to enhance the overall impacts on the sector and benefits for the poor.

MFMA has taken on a coordination role for many of these initiatives and BIF is keen to discuss with them how best to fit in to these structures.

Table (3.2) Summary of Other Initiatives in the Garment Sector in Myanmar

Initiative	Main activities
<p>Pyoe Pin Garment Sector Development Programme</p>	<ul style="list-style-type: none"> • Supporting MGMA to develop a strategic master plan for the garment sector including how to improve productivity • Work with Myanmar Development Resource Institute (MDRI) to develop a digital import/export licence • Development of a factory database for the MGMA • Direct support to MGMA with staff resources • Support to MGMA to improve structure and transparency • Support to SMART Myanmar, an EU-backed garment-sector development agency, in its formulation and implementation of B2B marketing campaign targeting EU-and Western garment buyers • May support MGMA to implement the new code of conduct being developed by SMART Myanmar • Support to the ILO in improving employer-employee relations, social compliance and labour standards • Working with MDRI to explore ways to introduce and experiment tax normalization in the garment sector
<p>SMART Myanmar Sustainable Consumption And Production</p>	<ul style="list-style-type: none"> • Three year programme currently in its second year • Focuses on sustainable production, lean production and efficient manufacturing skills • Training 11 people in industrial engineering including how to audit factory energy use, floor layouts and health and safety • Currently working with 15 factories to audit their productivity and agree an improvement plan that will be delivered by the SMART team. The productivity program will end in January 2015.

	<ul style="list-style-type: none"> • Planning to conduct social compliance training with Sustain (German Consultancy Group). • Planning to work on energy saving. • Aim to introduce factories to EU buyers in the longer term. Planning a tour in 2015 where they will visit Paris and Berlin with a selected factory group • Cooperating with the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) to raise awareness of the need for improved credit facilities • Key partner is the MGMA who they are also supporting to develop a code of conduct for the sector
ILO	<ul style="list-style-type: none"> • Planning to bring in 'Better Work' programme but at present do not know when • Interested in capacity building for MGMA to be able to provide supervisory training • Planning to work with the government on general labour standards including child labour issues and setting the minimum wage • Working with Pyoe Pin in developing 10 year strategy plan for MGMA this includes collaboration with BIF on the convening of the international garment industry around this plan and vision development • Working on Garment Value Chain Analysis Project already carried out Baseline survey to 25 factories.
Centre for the Promotion Of Imports from developing countries (CBI)	<ul style="list-style-type: none"> • Under the Dutch Ministry of Foreign Affairs, CBI supports developing country exporters to access European importers • Interested in building the capacities at developing countries, CBI is interested in providing training to MGMA. Their training plans for MGMA are still unclear • Main programme is a 3 year programme which started in November 2013 • 1st year for conducting master classes on marketing plus two study trips. The Master class program will carry on up to March 2015. • Conducting a study trip to Paris and Amsterdam with Myanmar factory owners in September 2014 • End of 2014, planning for Trip to Shanghai around garment sourcing

<p>UK Department for International Development (DFID)</p> <p>Investment Facility for Utilising UK Specialist Expertise (IFUSE)</p>	<ul style="list-style-type: none"> • Supplies specialist government-government expertise to support business environment improvement DFID's partner countries including Myanmar • Matches developing country demand for specialist, investment relevant skills, with the UK government expertise from 16 government departments and public bodies to deliver short term, targeted deployments • BIF is exploring the opportunity for IFUSE to support the Ministry of Labour, Employment and Social Security to tackle labour issues such as child labour • IFUSE already has links with the Better Regulation Delivery Office which they deployed recently in response to the garments issues in Bangladesh
<p>DANIDA</p>	<ul style="list-style-type: none"> • Looking at the garment sector with interest • With extremely limited administrative capacity, the local office is funding a Chief Technical Advisor at the ILO for technical input for MGMA
<p>Business Social Responsibility</p>	<ul style="list-style-type: none"> • Hong Kong based, have interest in responsible sourcing, members include M & S, Primark and H & M.
<p>ICSI</p>	<ul style="list-style-type: none"> • A Swedish initiative on labour market revisions, funded by SIDA.
<p>National Export Strategy</p>	<ul style="list-style-type: none"> • Under the guidance of the Ministry of Commerce and with the support of the International Trade Centre (an agency of WTO and the UN) • The garment sector is initially chosen as the top priority sector, but now is second to tourism. Under the National Export Strategy (NES), different ministries are coordinated to enhance export capabilities.
<p>American Apparel & Footwear Association</p>	<ul style="list-style-type: none"> • Becoming interested in working in Myanmar. Engaging with the US Government on their planned labour rights programme in Myanmar through the Office of the U.S. Trade Representative.

Source: Myanmar Garment Manufacturers Association (MGMA)

CHAPTER IV

EXPORT OF GARMENT INDUSTRY IN MYANMAR

4.1 Trade Policy

Since Myanmar has changed its economic course from a centrally planned economy into a market oriented system, a series of structural reforms had been introduced and new legal policy instruments were enacted as paving way for market oriented economy.

The government has recognized in the context of the market oriented economic system, the private sector as a prime-mover of the market mechanism and pays great attention for its development. All-out efforts are being made to encourage the active participation of private sectors in foreign trade and giving full sport in every angle as to cope with the international trading practices.

Myanmar is a member country to world Trade Organization (WTO), ASEAN and BIMSTEC and is having total of over (70) countries of trading partners and a series of effective measures are being taken for the increase in numbers. The basic principle of export policy is to penetrate into the global market by using the existing natural and human resources and to produce value added products more than normal export items.

The basic principle of import policy is priority import the capital goods, construction materials, other essential goods, hygiene materials for the well being of the people. In addition, the state is supporting products for export promotion and support the import substitute production. Myanmar's potential with regard to trade and investment is tremendously enormous in the areas of investment, trading, training and development, services and manufacturing sectors. Besides, Myanmar is endeavoring dynamically for the development of its economy up to its fullest extent.

4.2 Business Environment for Export Oriented Manufacturing

Almost all the export-oriented garment firms are in the CMP (Cut-Make & Pack) business, which has to import 99% of the raw materials. The export garment industry has also seen an emergence of local entrepreneurs who with little experience has been able to successfully enter this industry at a lower niche level. In terms of

clothing supply to the local population it is now common to see lots of brand names which have been rejected available in the local stores and markets at very cheap prices.

Currently the greatest contribution that the garment industry offers is jobs for over 60,000 people and much needed foreign exchange. The garment industry has been playing an important role in both income generation and poverty reduction, contributing to not only the creation of employment in city areas, but also remittance to worker's families in rural areas. If there is enough volume of exports, more supporting industry will develop and the effect will be to reduce the supply of raw material needed allowing cost to be future reduced and making Myanmar garment industry more competitive.

More than twenty years ago, Myanmar also tried to follow this scenario. Soon after the military took power in 1988, the Myanmar government launched a series of open-door policies. It allowed private firms to engage in external trade, and legitimized border trade with its neighboring countries. As a consequence, Myanmar's foreign trade increased rapidly during the 1990s and the first decade of the twenty-first century. Its exports grew fifteen times for the period of 1990-2010.

One difference is the degree of diversification of each country's exports. The shares of the top ten exports for Myanmar and Vietnam in 2010. Natural gas accounts for more than half of Myanmar's exports, which has been exploited off shore from Martaban Bay and transported to Thailand by pipeline since around 2000. Another natural gas field off Rakhine State, called Shwe, is under development, and gas will be exported to Yunnan Province of China by pipeline starting in 2013. Then, the share of natural gas in Myanmar's total exports will increase even more. Myanmar's natural gas exports increased from 108.6 million USD in 2000 to 2,595.4 million USD in 2010. Excluding exports of natural gas, Myanmar's total exports grew by only 6.2% per year from 2000 to 2010. The second largest export item was wood (16%), followed by clothing and accessories (11%). Thus, only three goods accounted for 80% of Myanmar's total exports in 2010. Clearly, then, Myanmar's exports have yet to be diversified.

Myanmar's exports are still dominated by primary goods, with the exception of apparel (clothing and accessories), Vietnam exports various kinds of manufactured goods. The shares of manufactured goods in Myanmar's and Vietnam's exports. The export shares of manufactured goods of the two economies were nearly the same at

about 12-13% in 1990 and 55-58% in 2000. Since then, Vietnam constantly increased its export share of manufactured goods to 71% in 2010, while the share of Myanmar's total exports drastically declined to about 20% by 2005.

Clothing and accessories have been the only manufactured export goods in Myanmar. The export share of manufactured goods substantially increased in the last half of 1990s, mainly due to garment exports to the United States (US) and the European Union (EU). However, the US import ban that began in 2003 and the EU's unwillingness to source made-in Myanmar goods due to human rights issues severely damaged Myanmar's apparel exports. Myanmar's apparel exports declined from 0.80 billion USD in 2000 to 0.56 billion USD in 2010. On the contrary, Vietnam continuously expanded its apparel exports, from 1.65 billion USD in 2000 to 11.31 billion USD in 2010, which was 20 times the value of Myanmar's apparel exports.

4.3 Garment Exports

The garment sector is increasingly important to the Myanmar economy. According to the Myanmar Garments Manufacturers Association (MGMA), Myanmar export just over US\$ 330m in 2010 and in 2014 had reached an impressive US\$ 1.5 billion. These strong growth demonstrate the potential of the export orientated garment sector and industry experts suggest that alongside this Myanmar will see significant social and inclusive economic progress.

Amongst Myanmar's export sectors, the garment sector is ranked fourth, according to DICA. According to World Trade Organization (WTO) statistics, Myanmar's total export value of garments reached \$986 million in 2014, nearly triple that of 2010. According to the MGMA (Myanmar Garment Manufacturers Association), garments exports jumped to \$1.46 billion in 2015 and accounted for 10 percent of the country's export revenues.

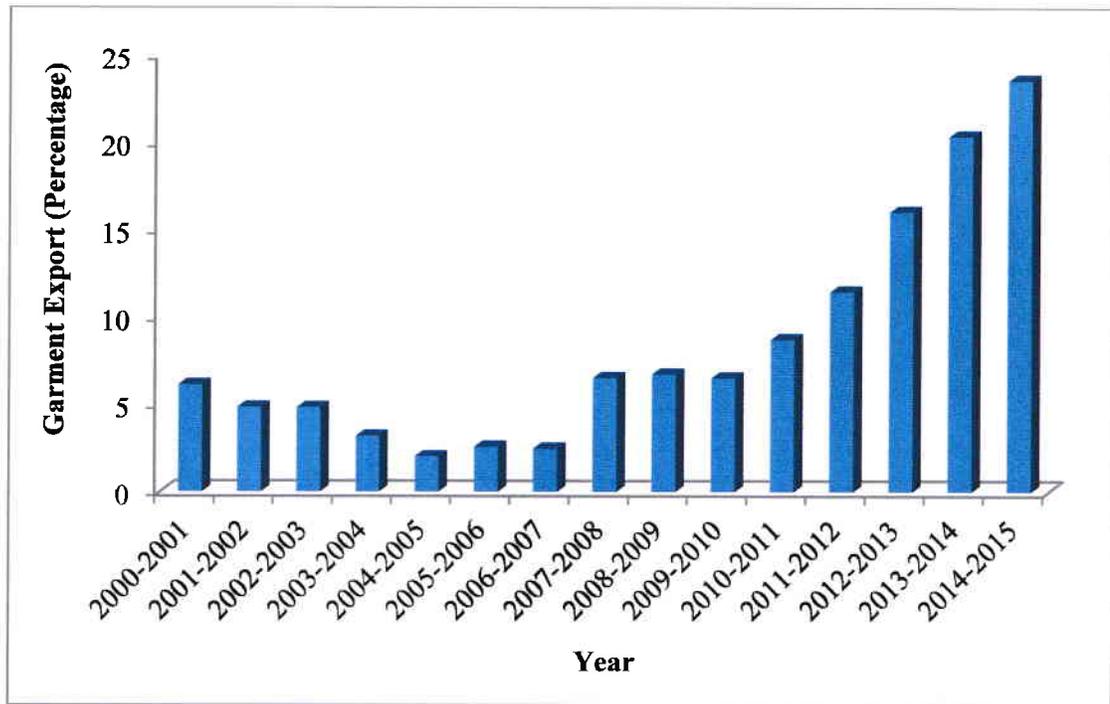
Table (4.1) Garment Export of Myanmar (2000-2015)

Year	Garment Export (US\$ Million)	Total Export (US\$ Million)	Percentage
2000-2001	360	1213	6.14
2001-2002	284	1632	4.84
2002-2003	283	1900	4.83
2003-2004	187	1345	3.19
2004-2005	118	1590	2.01
2005-2006	151	1966	2.57
2006-2007	145	2859	2.47
2007-2008	283	6402	6.53
2008-2009	292	6779	6.74
2009-2010	283	7587	6.53
2010-2011	379	8861	8.74
2011-2012	497	9136	11.47
2012-2013	695	8977	16.04
2013-2014	883	11204	20.37
2014-2015	1022	12524	23.58
Total	5862	83975	100.00

Source: Myanmar Statistical Yearbook (2015)

In 2000-2001 fiscal year, garment export is USD 360 million and 2004-2005 fiscal year, garment export is USD 118 million and it stand third place of top ten export items but 2007-2008, it reach USD 283 million, in 2014-2015 it reach USD 1022 million and it stands second place of top ten export items. Moreover the garment sector accounted for about 8% of the country's total export in 2014-2015 and it is the country's fourth most important export sector by value.

Figure (4.1) Garment Export of Myanmar (2000-2015)



Source: CSO Myanmar, Statistical Yearbook (2015)

Figure (4.1) show that as a value of garment export increase, there is increasing the number of jobs created in garment industry in 2007-2008, total percentage 6.53. It can be seen that the highest job increase rate in 2010-2011 and 8.74, has increase to garment industry export. In 2013-2014 and 2014-2015 can be seen that increase rate of 20.37 and 23.58 respectively.

4.4 Export of Garment Industry in Myanmar

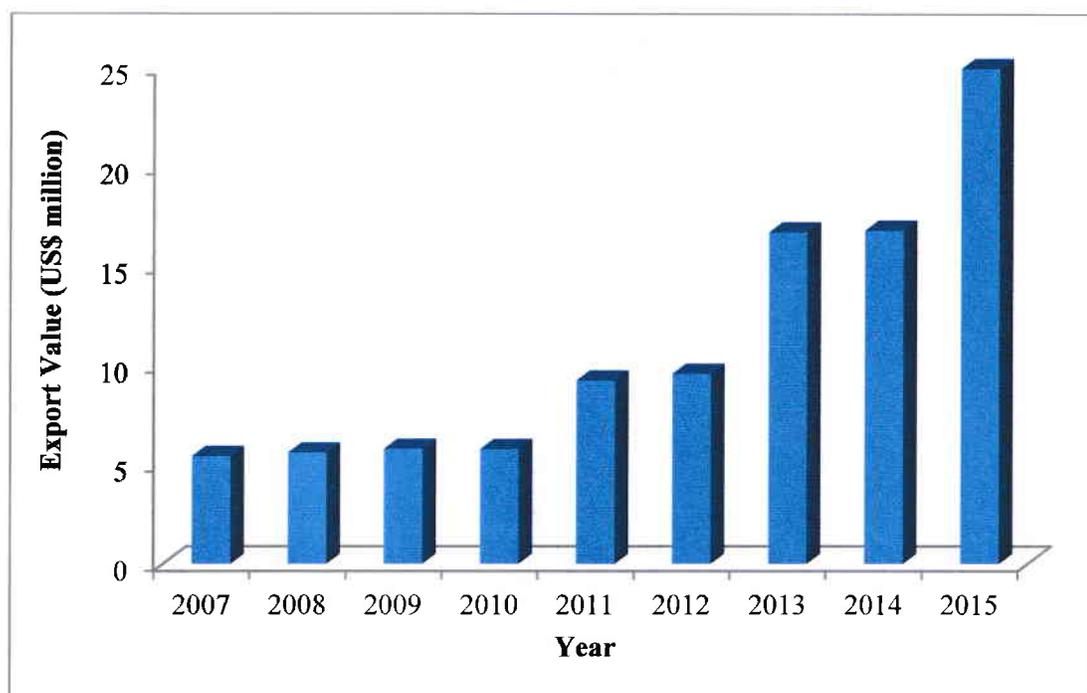
The export of Myanmar garment industry are mention in table (4.2).

Table (4.2) Export of Garment Industry in Myanmar (2007-2015)

No.	Year	Export Value (US\$ million)	Percentage (%)
1	2007	327.29	5.43
2	2008	337.64	5.60
3	2009	349.33	5.79
4	2010	348.40	5.78
5	2011	558.01	9.25
6	2012	578.27	9.59
7	2013	1009.51	16.74
8	2014	1014.76	16.83
9	2015	1506.64	24.99
	Total	6029.85	100.00

Source: Myanmar Garment Manufacturers Association (MGMA)

Figure (4.2) Export of Garment Industry in Myanmar (2007-2015)



Source: Myanmar Garment Manufacturers Association (MGMA)

The garment export and percentage of garment described from 2007-2015 are shown in the table (4.2), figure (4.2) and figure (4.3). According to the table (4.2), the export of garment was \$327.29 million in 2007, and then the amount of garment export increased year by year. In Figure (4.2), the amount of garment export was increased from 2008 to 2010. So, the amount of garment export had been related in \$337767 to \$348.40 million increase. According to the table (4.2), the export of garment was \$558.01 million in 2011, and the amount of garment was increased from 2012 to 2015. Similarly the garment export increased year after year.

Figure (4.3) show that as a value of garment export increase, there is increasing the number of jobs created in garment industry in 2007, total percentage 5.43% is can be seen that the highest job increase rate. In 2010, 5.78% has increased to garment industry export. In 2014 and 2015 can be seen that increase rate of 16.83% and 24.99% respectively.

4.5 Myanmar Garment Export Value to International Market

The export market and export countries from Myanmar garment industry are mentioned in table (4.3).

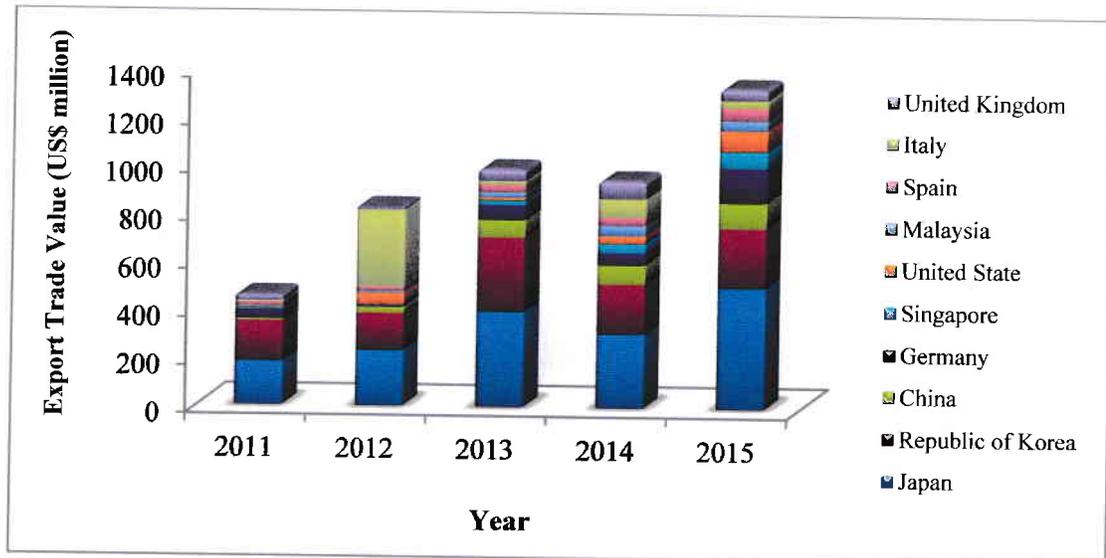
Table (4.3) Top Ten Garment Exports Countries

US\$ (Million)

No.	Export Countries	2011		2012		2013		2014		2015	
		Export Trade Value	Share (%)								
1.	Japan	184.2	36.91	232.9	27.07	398.2	37.42	309.4	28.67	506.4	30.69
2.	Republic of Korea	166.3	33.32	153.5	5.81	307.9	28.94	206.3	19.12	246.6	14.95
3.	China	8.5	1.71	24.8	2.88	73.0	6.86	80.3	7.44	107.0	6.49
4.	Germany	36.9	7.39	5.1	4.20	61.2	5.75	50.7	4.70	145.1	8.79
5.	Singapore	7.2	1.45	4.4	0.54	20.2	1.90	38.9	3.61	70.1	4.25
6.	United State	6.2	1.25	49.9	5.81	12.7	1.20	33.1	3.07	87.9	5.33
7.	Malaysia	5.6	1.12	8.9	1.04	22.5	2.11	44.1	4.09	42.7	2.59
8.	Spain	13.2	1.71	17.3	2.01	31.8	2.99	32.6	3.02	52.1	3.16
9.	Italy	5.2	0.94	319.5	37.14	14.5	1.37	76.3	7.07	31.2	1.89
10.	United Kingdom	24.9	5.01	7.8	0.90	49.3	4.63	75.3	6.97	46.8	2.84

Source: Myanmar Garment Manufacturers Association (MGMA)

Figure (4.3) Top Ten Garment Exports Countries



Source: Myanmar Garment Manufacturers Association (MGMA)

According to table (4.3), substantial increase of Myanmar garment export to Japanese clothing market but slight increase. Spain, Singapore and Malaysia whereas export to Korean Market stay put. But compared to 2006 export data to Korea, it has been increased from USD 15.4 million to USD 246.6 million in 2015.

The Myanmar Garment Entrepreneur's Association, increasing order from EU are a result of Generalised System of preferences (GSP). In 2015 Japan export more than US\$ 580 million worth of garments from Myanmar. Before 2003, Myanmar's garments were mainly export to the United States, after which Japan become the biggest buyer from 2010 onwards. The division of Myanmar's CMP garment export market share is as follows: 33% goes to Japan, 25% to EU, especially Germany, 25% to South Korea and 2.4% each to the US and China.

4.6 Myanmar Garment Industry Development Trend

Garment Industry start to establish as Domestic Private Firm, State Owned Enterprises and Foreign Joint Ventures with UMEHL in Myanmar in 1993. Although Union of Myanmar Foreign Investment Law was enacted in November 1998, there are no 100% Foreign Firm in the period. In 1995, 100% Foreign Firm are increased to 4 enterprises. Myanmar garment industry started with 94 factories in 1997. In 1995-2000, garment industry peaked at almost nearly 300 garment firms are increased. And it accelerated with many until 2003. Due to economic sanction from United States, many factories were close down and buyer and customer moved to other countries

The Myanmar CMP Supervision Committee was recently formed to conduct inspections on foreign and local firms to ensure rules and regulations are being followed. The committee will inspect CMP (cut-make-pack) garment factories to ensure they are following existing rules and regulations, adhering to notifications released by the Ministry of Planning and Finance, paying taxes, providing allowances to labourers, systematic accounting management and so on, according to a statement from the President's office. The committee was formed with 15 members from the private and government sectors and will hold discussions with relevant government organisations, non-government organisations, private companies and investors, organise statistics and form sub-committees as needed. A meeting with government organisations and entrepreneurs will be held to draw working plans and determine who will be in the committee, according to U Aung Min, who said he will be attending the initial meeting of the committee as a member.

Conflicts between employees and employers mostly happen in the garment industry, but tax problems hardly happen because of low tax payments. "After the formation of the supervision committee, we have to discuss about how we will continue and what we need. The committee is just a start. We don't have problems with tax payments because we just pay two percent tax for trading, but labour disputes happen frequently. This is one of the reasons why we had to. According to the notification from the President's office, Myanmar Investment Commission is responsible to approve CMP-based proposals based on recommendations of the committee from the committee.

The CMP system is practiced in a variety of industries including garments, footwear, electronics, mobile phone accessories and others, but is mostly in the garment industry in Myanmar, according to statistics from the Myanmar CMP Association. There are 171 state-owned and 196 foreign-owned and 22 joint-venture CMP garment factories. There are approximately 105 CMP-based factories in other industries which include 34 local-owned, 9 joint-venture and 62 foreign-owned factories.

CHAPTER V

CONCLUSION

In this chapter, the finding of this thesis are presented. The finding based on the analysis are summarized and the Myanmar Garment Manufacturers Association (MGMA), Myanmar Garment Industry are present. Finding and suggestion for the MGMA and other similar website are made on the basis of both the finding of this survey research.

The garment industry is still in its infancy when compared to other countries. Myanmar firms have proven that it can compete even with a very harsh business environment. If the environment were on par with its neighbors, Myanmar Garment Export Industry could be a major contributor for the economy and a significant player in the world garment industry.

Myanmar is a country suitable for labor-intensive industries, including the garment industry, and it can attract more firms from among the advanced ASEAN members and China, where workers' wages have risen. However, the wage gap alone is not wide enough to attract firms to Myanmar. This appears to be quite wide in terms of workers' living standards, but it is not wide enough for garment firms in Vietnam to relocate to Myanmar, considering the Myanmar workers' lower productivity, Myanmar's higher utilities costs and longer lead time for delivery.

To date, the garment industry in Myanmar has grown through the efforts of the private sector without much government support. However, such growth has a limit, and reductions in production costs (other than those for labor) have become more important for maintaining the competitiveness of the garment industry in Myanmar. Here, the government must play a larger role. It must carefully examine the obstacles and bottlenecks facing garment firms in Myanmar and launch a comprehensive and consistent program to overcome them. Garment manufacturing will then be an activity that leads the Myanmar economy in its further climb up the industrial ladder.

5.1 Findings

Myanmar garment industry, however, remains vulnerable, and the extreme dependence on the industry makes the country's apparently successful development performance vulnerable too. Garment Industry operated by foreign producers can

enter and leave a country very rapidly. Garment and textiles are part of a typically buyer-driven global value chain characterized by highly competitive and globally dispersed production systems.

The Myanmar Garment Export Industry is a substantial contributor to development of the national economy as it has given jobs to over 60,000 people and generated much-needed foreign exchange.

Myanmar firms at its highlight were producing products for the world's leading brands and even though consumer boycotts have hurt the industry it has survived and remained resilient to outside pressure.

In many developing countries the garment industry is a major contributor to the nation's economy in terms of employment and generating much needed foreign exchange and supporting industry for local consumption. Although Myanmar back in the late 1950 was regarded as the fashion shopping paradise the advent of the Socialist system saw this leading industry vanish. It was only in the early 1990s when the government introduced an open market economy system that saw the re-emergence of a garment export industry.

The reason that this industry came into being was due to the country under utilized allocated quota from the EU and US and Myanmar's comparatively low labor costs and easy start-up. The industry was first started up with the foreign firms who are major manufacturer in the region. These foreign firms drew interest from major buyers who are eager to capitalize on Myanmar quota. With more buyers looking into Myanmar, local entrepreneurs were able to set up small, medium and even large firms to cater for the niche high volume, high labor intensive products. The inertia was so great that in a matter of years local firms constituted 78% of the garment export firms in Myanmar with foreign firms only constituting 4%. There is a clear distinction between the abilities of foreign and local firms with foreign firms being better equipped, managed and supported by their large international network. Local firms were only able to look after low-end income, high labor intensive orders while foreign firms were looking after the higher end income orders.

Unfortunately as soon as the industry was ready to take off, Made in Myanmar products were starting to be boycotted by the major importing countries like the US and EU and the consumer resistance only grew stronger. The foreign companies were able to survive through its international network but local firms faced more difficulties in securing orders. To make matters worse the business environment for

garment to import raw materials and export finished products became more bureaucratic and time consuming. The current situation for the garment industry is not favorable and its long term prospective looks dull with more problems than solutions.

All garment firms have the same sort of difficulties but the local firms' difficulties are harsher than the foreign and JV firms. The list is long and arduous starting from simple things such as regular power, difficulty in getting orders, staff turnover to lack of raw materials. Though Myanmar labor rate is one of the lowest in the world when comparing it's competitiveness with the rest of the region Myanmar end cost are similar when it could be much lower if there were supporting industries and more local raw materials. Myanmar in the early 1950s was well known for it's cotton industry though this industry was not developed more in the socialist era and local demand has to be supported by imports. There are good signs that production will increase in both quality and quantity, which will be enough for local demands, export and the chance for large textile mills to be set up which will lead to Myanmar being more competitive.

The next five years for Myanmar export industry will be it's most important with the removal of the quota system in 2004 and AFTA in 2005. If Myanmar industry does not solve the current problems it has it will not be able to compete because neighboring countries have better supporting industries and are more competitive. The only solution for Myanmar to export garment industry is for the industry itself to unite and take advantage of the government new five-year policy plan for industrialization. The objectives of the industry to work and motivate the government are quite clear and achievable and the industry must unite to ensure that the Myanmar export garment industry is able to compete in the worlds garment industry.

5.2 Suggestions

In Myanmar to be able to develop industry there must be a driving force to push for improvement of the business environment. It is therefore imperative that a united, dedicated association with access to the major decision maker is formed.

For industry

- Should focus on such as responsiveness timeliness, flexibility, communication and understanding of buyer's perspective.

- Realize that the role of the manufacturer has changed from that of a product supplier to that of one providing service and capacity, and change itself accordingly.

For government

- Make available basic raw material, that is fabrics and sewing threads of all fibers at international prices.
- Develop a service orientation
- Set up an agency that can integrate the respective talent of small and large firms.

In order to overcome challenges, issues and constraints faced by SMES and to improve their performance, there is a need for the Government and business community to create a sound service policy, conducive business environments and supportive regulation framework for the SMES, strategies and programs are also required to be implemented to help SMES develop the specific capabilities needed for

By adopting and implementing the best practice for new business innovation, the government will benefit regional economic development and overall improvement the national technological capabilities. In addition, SMES in Myanmar need to adopt a development mindset. They must look ahead, plan carefully, build up their capacity and capability and venture forward actively. Finally a linked up performance of political, industrial and academic sectors is also important to implement the laid down system.

Various suggestions and recommendation offered, based on the observations of researchers, exporters, officials of export associations, include. It is essential to create a textile and garment-marketing board, which promotes Myanmar manufactures by attending all major textiles, fairs and give all firms access to all the big buyers in the world. It is necessary to create a textile and garment promotion board, which entices supporting industries to set up operations in Myanmar.

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