

YANGON UNIVERSITY OF ECONOMICS

DEPARTMENT OF ECONOMICS

**A STUDY ON PRIVATE GARMENT INDUSTRY IN NORTH
OKKALAPA INDUSTRIAL ZONE (CASE STUDY ON
AUNG NAING THU STAR GARMENT MANUFACTURING CO.LTD)
(2013-2016)**

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M.ECON (ECO) II- 26**

JUNE, 2018

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A thesis submitted as a partial fulfillment of the requirements for the degree of
Master of Economics (Economics)

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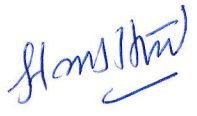

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This is to certify that this thesis entitled, "A STUDY ON PRIVATE GARMENT INDUSTRY IN NORTH OKKALAPA INDUSTRIAL ZONE (CASE STUDY ON AUNG NAING THU STAR GARMENT MANUFACTURING CO.LTD) (2013-2016)" submitted as a partial fulfillment of the requirement for the degree of Master of Economics (Economics) has been accepted by the Board of Examiners.

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ABSTRACT

Garment industry takes vital role in industrial development. For many developing countries and also in developed countries, textile apparel industries have been paid close attention because they contribute much benefit for the nation economy and social welfare. Textile and apparel industries are important in human life and also these textile and garment industries are playing an important role in the country as well. The garment industry has been the archetypal drivers of early industrialization in both developed and less developed countries, due to requiring relatively low level of production technology and abundant cheap labor. The main objective of the thesis is with respect to the employment opportunities of the private garment industry in North-Okkalapa Industrial Zone with case study on "Aung Naing Thu Star Company Limited". This thesis used descriptive method and secondary data. The study found out that the company is able to create job opportunities for local people including skillful and unskillful workers. Moreover, the company can strive to enhance the capability of its employees in producing quality apparels. However, training programs for local firms, providing technical assistance to the latest technology and programs for upgrading the skills and knowledge are needed to provide for the potential workers, which are essential for improving the productivity of the workers. Moreover, it is needed to create wage standardization board so as to become more competitive among the garment industries in neighboring countries.

ACKNOWLEDGEMENTS

Firstly, I would like to express my sincere gratitude to Professor Dr. Khin Naing Oo, Rector of Yangon University of Economics and Professor Dr. Tun Aung, Pro-Rector of Yangon University of Economics for their invaluable support to M.Econ (Economics) Program and giving me the opportunity to join the Program.

I am also grateful to Professor Dr. Thida Kyu, Head of Department of Economics, Yangon University of Economics, Professor Dr. Nilar Myint Htoo, Head of Department of Economics, Yangon University of Economics and all the teachers of Department of Economics for their guidance and encouragement.

In addition, I express my warm thanks to my supervisor Daw Cho Cho Mar, Lecturer, Department of Economics, Yangon University of Economics for her continuous support for my study, for her guidance and for her encouragement. Without her supervision and constant help this thesis would not have been possible.

I also take this opportunity to express my gratitude to Aung Naing Thu Star Garment Manufacturing Co., Ltd and Librarian and staffs of Library from Yangon University of Economics for their kindly support and time.

Finally, I would like to express special thanks to my family and my entire friend for their sincere help my thesis accomplishment.

Khine Khine Moe

M.Econ (Eco) II-26

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LIST OF ABBREVIATIONS

| | | |
|-------|---|---|
| CMP | - | Cutting, Making and Packaging |
| EU | - | European Union |
| FEC | - | Foreign Exchange Certificate |
| FIL | - | Foreign Investment Law |
| FOB | - | Freight on Board |
| ILO | - | International Labor Organization |
| JV | - | Joint Venture |
| MGMA | - | Myanmar Garment Manufacturers Association |
| MIDC | - | Myanmar Industrial Development Committee |
| SLORS | - | State Law and Order Restoration Council |
| SMEs | - | Small and Medium Enterprises |
| SOEs | - | State Owned Enterprises |
| WTO | - | World Trade Organization |

CHAPTER I

INTRODUCTION

1.1 Rationale of the Study

For many developing countries and also in developed countries, textile apparel industries have been paid close attention to because they contribute much benefit for the nation economy and social welfare. Textile and apparel industries are important in human life and also these textile and garment industries are playing an important role in the country as well.

The garment industry has brought large members of poorly educated workers into the labor market to reduce poverty. The garment and textile industries have been the archetypal drivers of early industrialization in both developed and less developed countries, requiring 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-led growth in economy.

Since the company has made sales and purchase agreement with the trading house from Japan, there is actually no specific sales strategy for its product. Foreign buyer is willing to buy the product in a long-term basis as long as the factory can manufacture quality products as to their design and quality specifications.

Yangon Division is the commercial city with high population density. Since 1988, the government has been promoting private sector participation and foreign investment in industry. The garment industry has brought large members of poorly educated workers into the labor market to reduce poverty.

North - Okkalapa Industrial Zone is included in East Industrial Zone. It is one of the pioneers and crucial industrial zones of Yangon Region. Although there are many small and medium industries, the investment, production and employment have been to a large extent. North-Okkalapa Township is more favorable to transport of goods and services to all regions in the country.

For the prospective industrial development, Myanmar is a low wage economy, with a comparative advantage in labor intensive industries; Myanmar already has significant achievements in the textile and garment industry which remarkably benefits from import and export tax exemptions. This thesis is to be focused the study

on the Private Garment Industry in North Okkalapa Industrial Zone and to study on the progress of employment opportunities of the private garment industry in North Okkalapa Industrial Zone with a case study on Aung Naing Thu Star Garment Manufacturing Factory. Because garment industries are not only a significant earner of foreign exchange but also a substantial generator of local employment and incomes. According to the Myanmar Citizen Investment Law, this company has implemented 100% investment by the own-capital and is based on export promotion.

1.2 Objective of the study

The main objective of the thesis is with respect to the employment opportunities of the private garment industry in North-Okkalapa Industrial Zone with case study on “Aung Naing Thu Star Company Limited”

1.3 Method of Study

This thesis used descriptive method and secondary data. Information and data are collected from North Okkalapa Industrial Zone Management Committee, various books, documents and articles, Internet website etc. Besides, this study is used primary data from Aung Naing Thu Star Garment Manufacturing Co. Ltd as a case study.

1.4 Scope and limitation of the Study

The study covers the period from 2013 to 2016. Detail data from garment factories in North Okkalapa Industrial Zone are quite limited. Therefore, Aung Naing Thu Star Garment Manufacturing Factory is studied as a case study.

1.5 Organization of the Study

This thesis is composed of five chapters. Chapter (1) is introduction; it includes rationale of the study, objective of the study, method of study, scope and limitation of the study and organization of the study. Chapter (2) is the literature review. Chapter (3) is the private Garment Industry in Myanmar. Chapter (4) is the private garment industry in North Okkalapa Industrial Zone. Chapter (5) is concerned with case study on Aung Naing Thu Star Garment Manufacturing Co.Ltd. Chapter (6) is conclusion including findings and suggestions.

CHAPTER II

LITERATURE REVIEW

2.1 Garment Industry

Garment is an article of clothing and any individual piece of clothing wears to cover the body. It is most becoming if designed to suit the figure and personality of the wearer. There are two kinds of apparel, the clothing or attire worn by the human race and ready-to-wear clothing industry products.

General garment categories are dress-casual, sport-wear, rainwear, knitwear, sweaters, housedresses, coats and suits, min's clothing, children clothing, theatrical costume and so on. Make-through method and division of labor system are two methods of garment manufacturing. Make-through means a method that one person makes clothes from the beginning to the finish. Even now, the tailor uses this method. However, very few apparel factories use this method except in special cases. This is because this make-through method has an advantage of performing fine work according to the order, on the other hand this method has some disadvantage such that the worker should be a special skill worker, the workmanship varies by the skillfulness and habit of each worker, the efficiency is not increased. From the view point of mass production, the efficiency is considerably low.

Division of labor system is another method in garment factory. There are 25 processes in the sewing process of cloth even in case of making simple slip. There more than 100 processes for making a men's shirt. It is not easy for one person to manage these processes. Under the division of labor system, the work is divided into each process and carried out. For instance, one worker pockets and the other make yokes. This method is suitable for making products of same size, shape, and fabric in manufacturing of men's suit, student's wear and children's wear. This division of labor system method can increase the production efficiency and quality level.

In this method two systems can be chosen. The parts are bundled up and sent to the next process in "bundle system". The other system is "synchro -flow system". The work flow is maintained by synchronizing the work amount of each operator with the working time. It is not easy to say which one is better. But the important thing is which system is suited to the respective factories.

A garment factory can be set-up as a SME or a big factory. Developing countries are depending on labor-intensive industry like garment industry while developed countries prefer capital-intensive industry. Garment industry is suitable for developing countries because it can be started with initial investment and labor cost is cheap and abundant labor in these countries. Garment manufacturing is essential not only for regional but also for global business. In South-East Asia, there are many competing garment and ready-made clothing factories.

2.2 Types of Industries

Industries can be classified as resource-oriented, market oriented and footloose industries.

- (a) Resource-oriented industries are those that tend to be located near the source of the raw materials used by the industry. For example, mining must obviously be located where the mineral deposits are located. More generally, resource-oriented industries are those for which the cost of transporting the raw materials used by the industry is substantially higher than for shipping the finished product to market. These are industries such as steel, basic chemicals and aluminum, which process heavy and bulky raw materials into lighter finished products. (i.e, involving substantial weight loss in processing)
- (b) Market-oriented industries are those that locate near the market for the products of the industry. These are the industries that produce goods, that become heavier or more difficult to transport during the production process (i.e, involving substantial weight gain in processing) for example, Soft-drink companies, which ship their highly concentrated syrup to market, where water is added and bottling takes place. (all very weight-gaining operations)
- (c) Footloose industries are producing goods that face neither substantial weight gains nor loss during the production process. These industries tend to have high value-to-weight ratios and to be highly mobile, or footloose. They tend to locate where the availability of other inputs leads to the lowest overall manufacturing costs. For example, Computer companies, Garment factories, which ship a country made components to neighboring country border areas to be assembled by cheap labor, before being exported back to the home country to be packaged into the final product for sale on the domestic and international

market. Therefore, many governments offer preferential tax treatment to domestic and foreign investors to attract these footloose industries.

2.3 World Garment and Apparel Industry

Globalization process is getting faster and becoming compulsory element in the modern economy. Textile and apparel are two strongly related industries. In some countries, it is considered as a single industry. It is easily understandable because almost textile products are the input of apparel industry. Generally, the trends in apparel industry determine the trends in textile industry. But sometimes, innovations derived in textile industry have created the revolution in apparel industry.

Textile industry is presented in every country. This industry's products mainly are for apparel industry and also important for other industries. Textiles and clothing account for about 9.1 percent of world manufactured goods exports or of 6.5 percent of all merchandise exports. The material input of the industry is facing down in the price, especially in cotton; the decrease is about 5 percent annually from 1998 to 2010. The industry goes in the way of new improvement and innovations. According to William Smith in "High Performance Fibers Protect, Improve Lives", to produce "faster, stronger, lighter, and safer" is critical around the world.

Apparel or garment is manufactured in virtually every country in the world. On global basis, the garment industry together with the textile industry is the largest source of industrial employment in the world. Garment production is labor-intensive and requires only a limited number of special skills. Set-up costs are low barriers to entry are few and rate of return on investment can be high. Therefore, many low-wage developing economies with abundant labor supply have attracted heavy investment in the garment industry. This has resulted in consistent growth in garment production levels among low-wage supplier countries with a focus on selling to the world, particularly to developed economies.

Textile and garment industries have traditionally been the first step towards industrialization in developing countries and continue to play very important economic roles in developing world, where they are not only a significant earner of foreign exchange, but also a substantial generator of local employment and incomes.

In 1980, only China, Hong Kong, South Korea, Taiwan, and USA were major global garment exporters. In the 1990s, India and Pakistan from South Asia and Malaysia, Thailand, and Indonesia from East Asia were added to this list. By the late

1990s, Bangladesh and Sri Lanka from South Asia and Philippines and Vietnam from East Asia too came into the list.

The garment industry also contributes significantly to the economies of the industrialized countries. As a result of regional trading blocs and globalization, garment firms operate in an environment that involves an increasing interdependence between countries supplying inputs, other factors of production or finished products. Linkages among firms can be complex, embracing both developed and developing economies in a network of trade relationships.

The future global market for textile and apparel is expected to expand in a significant way. The reasons for such expansion include growth of new consumption markets, global expansion of modern retail business, growth of textile and related production in Eastern Europe, Russian bloc, Turkey, Middle East, South East Asia, India, China and South America.

2.4 Local and Foreign Garment Companies

There is a clear distinction between foreign and local garment companies. They are:

Experience: Most foreign JV companies have decades and years of experience and have gained past experience in setting up factories in other Asian countries. For local company, they are only just started. The most experienced is the Government joint venture companies. In terms of totally local, the longest experience would be about eight years.

Technology: Since foreign and JV companies are based in developed countries and they are up to date with the latest technology and have access to loans to purchase the latest equipment. They also have the ability to transfer equipment from other countries. Nearly all the local companies have little opportunity for them to be up to date with the latest technology. Even if companies wanted to purchase the latest technology, it would be very hard for them to obtain loan financing.

Management and Training: For foreign and JV companies, due to long experience in industry, have set workable systems. Some companies send managers and trainers aboard for training and experience. In local company, trainers and managers are lack of experience and exposure. Training is mostly on the job experience. Still have difficulty in motivating workers.

Marketing and Networking: Due to large networking and strong client relations due to officers in client countries, foreign and JV companies are able to pick up orders without problems and can take orders or contracts from their sister companies. But for the local, hardly have any offices overseas to pick up orders. Networking just started and also lack of communications to build up marketing punch. It is difficult to access to Internet and trade publications for them.

Treatment of Staff: Very strict working conditions in foreign and JV companies. But in local companies, they have more understanding and flexible for staff.

Profitability: Profit is very high due to large orders and ability to factor in overseas office costs for foreign and JV companies. For local companies, profit is slow due to inability to take larger orders. Lower overheads and so can have profit in foreign exchange.

Outside Pressure: Foreign and JV companies are able to reroute and re-label. For local companies, consumer pressure will see orders totally stopped.

Long Term Survival: Foreign companies can easily leave for other countries when costs become lower and more competitive in other countries. But for the local companies, they will try and keep business running till the very end.

In general export oriented garment employees earn 30 percent more than the domestic oriented garment industry employees and is not as strenuous as the domestic oriented garment employees also export oriented firms have better incentive and bonuses. The average export oriented garment industry employee earns about 90000 kyats per month. 90 percent of the workers are females contributing 10 hours daily and 6 days a week, sometimes there are cases when they work 14 hours a day and can earn overtime charges per month. Some industries do not have social packages and so far there is no group life insurance.

Compared to domestic oriented textile industry, the export oriented garment industry workers to some extent have better safe working conditions. But problems such as cotton fiber inhaling, noise pollution, and machine accidents are still common. Provisions have been made to improve the employee's working conditions, such as adequate lighting, air-cooling fans, and transportation for workers, while in some companies boarding accommodation is also provided.

For motivation, employees are given piece rate incentives and bonuses for production saving time as well as overall year-end bonus other type of bonus comes in

the form of pilgrimage to famous pagodas during short-term holidays. Foreign and joint venture firms have large number of employees. They provide most of the items mentioned above except they do not provide accommodation for their workers. However, in some middle and small local export oriented garment firms provide hostel accommodation, piece rate incentives, pilgrimages and annual bonus. They rarely give remuneration for cutting production time as an incentive.

The very small local garment firms are a little different because they are on a sub contract basis. The benefits they give to the workers for motivation consist of accommodation, and employees are provided with cooked rice without curry. To get better income and better benefits, the domestic oriented garment workers, tend to job-hop.

Staff Turnover: As with all industries the garment industry has its fair share of staff turnover also known as job-hopping. Job hopping is substantial problem due to the fact that during this period there are many companies starting up garment business and the only way to get workers is from other firms who are eager to move jobs offering better salaries and benefits.

Employee job-hopping rate is also lower in foreign and joint venture firms because their employees have more faith and confidence in their firms' management systems in providing job security. In small and very small size local garment enterprises, the staff-turnover rate is quite small because with the size of the enterprises the management can provide a more united personal family atmosphere.

2.5 CMP System Garment Manufacturing in Myanmar

The garment industry in Myanmar is the CMP system manufacturing. The term CMP is cutting, making and packing 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 countries use 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:

1. Raw materials, fabric and accessory are owned by buyer or customer and they send raw materials to Myanmar by Sea or by Air. Freight charges are paid by customer in CIF terms.
2. 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.
3. The garment factory earns CMP charges per price from customer or buyer.
4. The garment has been provided by CMP garment factories with tax exemption on their imports of raw materials, fabric and accessory which are used to manufacture garment for the export market.
5. Under the Myanmar Investment Commission, CMP Company will enjoy three years tax exemption. After exemption period, 10% of CMP earning is cut by the government and it translated into pretax.
6. 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 based in Myanmar. Therefore, CMP garment manufacturing is a labor-intensive industry and it creates job opportunity and reduces poverty and unemployment in the region.

CHAPTER III

GARMENT INDUSTRY IN MYANMAR

3.1 Historical Background

Since the times 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 cottage industry survived 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 became "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 businesses 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.

3.2 Private Garment Industry in Myanmar

In late 1988 the Union of Myanmar abandoned the political and economic system that had been practiced for more than two and a half decades and made known to the world its intention to adopt the market oriented economic system with a view to building a new developed and modern state, in which the private sector has been given the opportunity to be involved extensively in almost all economic activities especially in the areas of trade and investment.

Accordingly, a series of legislation were regulated by way of promulgating new laws that are needed urgently and by amending the existing laws that are no more appropriate for the new system in order that those amended laws will become compatible with the changing economic atmosphere.

In order to reap the best benefit out of the comparative advantage of Myanmar- the endowment of natural and human resources- it is evident that influx of capital associated with appropriate technology, managerial skills and access to international market are compulsory.

In the light of such efforts, the Union of Myanmar Foreign Investment Law was promulgated in November 1988 and its procedures were prescribed in December 1988. In doing so, Myanmar has opened the doors to foreign investors to participate actively in exploiting natural and human resources thereby enhancing long-term mutually beneficial economic cooperation.

On the other hand, in order to encourage enhancement of active participation of Myanmar citizens in the area of investment and trade, the Myanmar Citizens Investment Law was enacted in March 1994 and its procedures were prescribed in August 1995. The Myanmar Citizens Investment Law provides a wide range of incentives that are enjoyable by Myanmar investors. These incentives include, among others, three-year tax holiday, duty-free import of machinery, equipment and spares during the prescribed period of initial investment: duty-free import of raw materials

for the first three years' commercial production; tax relief on import substituting industries determined necessary for the State; and tax relief for the industries that are aimed at regional development.

In order to enjoy the benefits provided by the aforesaid Law, Myanmar investors took part in establishing industries in all areas-both for export-oriented and import substituting industries. This particular project is the former type of industry for export promotion aiming at manufacturing quality garments for 100% export. This factory is based on an export promotion approach. In other words, the products of this factory are ready-made garments that are exclusively for export. Hence, the company aims to manufacture high quality garments with minimum cost in order that the products will be able to penetrate into the international market.

3.3 The Nature of SMEs in Myanmar

Compared to many present ASEAN member countries, Myanmar was at the forefront of development-economically, socially as well as politically and was even termed the rice bowl of Asia. People from many neighboring countries have to come to Myanmar to travel outside the region up till early 60s. The country officially became a Socialist State in 1974 but even after that, the agriculture sector was not collectivized as in Soviet-style socialist economies and small scale enterprises were allowed to operate without much control. According to the annual reports on Review of Financial, Economic and Social Conditions, the economic output of the private sector was larger than the state-owned sector throughout the Socialist era.

The State Law and Order Restoration Council came into power and its decision to switch the country's economy from the former socialist oriented one to market oriented economy is the driving force that brought fundamental changes in the government's policy towards private enterprises. Industrial development was further encouraged through the Private Industrial Enterprises Law promulgated in 1990 which includes a general classification for small, medium and large scale enterprises.

Since then, private industry have grown progressively specifically in agriculture, construction garment, mining and transportation sectors. According to the data published by Myanmar Industrial Development Committee, Directorate of Industrial Supervision and Inspection, Ministry of Industry I, the number of registered small industries has grown from total of 30201 in the year 2000 to 33504 in 2007. Likewise; the number of registered medium industries has grown from 4185 to

6516 during the same period. The most up to date list compiled by the Union of Myanmar Federation of Chamber of Commerce and Industry on the number of registered small and medium enterprises stands at approximately 40000 but is not really conclusive.

Additionally there are approximately 33500 industries presently registered with the Ministry of Cooperatives and many of them can be termed small enterprises based on the number of workers they employ and are presently defined as small cottage industries. In the absence of legal obligation or official requirement to list or register family-run small businesses, it is very difficult to estimate the number of small enterprises or industries operating within the country.

It is even more difficult to estimate the number of very small factories that are manufacturing garment mostly to cater the rural communities which is not actually small in numbers.

3.4 Current Situation of Garment Industry in Myanmar

Asia began development through garment exports, and Myanmar is no exception. Here, garment sewing is the only manufacturing entity that participates in regional and global production and distribution networks. Garments represent the only exported manufactured goods in Myanmar. It is important to examine how Myanmar has established this new industry.

In order to understand the Myanmar Textile and Garment Industry, it is necessary to understand the difference between the local industry and the export-oriented industry. These are two very different types of industry with hardly any form of association or similarities.

One of the most predominate business to enter Myanmar since it began its market orientated open door policy after 1988 is the garment industry. The military government allowed private firms to engage in external trade, and the Foreign Investment Law (FIL) was enacted in November 1988. This allowed foreign investment in Myanmar.

The private sector, including both domestic and foreign firms worked vigorously to start businesses in various sectors such as manufacturing, construction, mining, trade, tourism, retail, restaurants, and other services. The garment industry exhibited strong growth throughout the 1990s but most especially in the late 1990s and at the beginning of the new century. The garment industry is labor-intensive,

export-oriented, and uses standardized technology. Such characteristics have made the garment industry the first rung on the industrialization ladder in many developing economies.

In Myanmar, there are three types of garments firms: foreign firms, joint venture firms and local firms. The foreign firms produce only high-end and high quality men and women's shirt and jacket. JV garment firms produce a variety of quality and high end priced fashion brands. These products are shirts, jackets, knitted product, sport shirts, pants, coats, blouses, underwear, baby wears, polar fleeces, trousers, jerseys, embroideries, sweaters, woven products, short pants, caps, hats, skirts, brassieres, boilers, gloves, golf shirts, mufflers, men's wear, rain coats, short trousers, socks (cotton), suit dress, swim wear, twin sets, waist bag, warm clothes, printed fabrics and towels. Currently there are only a few garments supporting industry like packing box, embroidery factory, printing factory and washing factory. Local garment firms produce a variety of garments, mainly in high quantity and low priced segment.

Myanmar garment industry started with 94 factories in 1997. And it accelerated with many factories until 2003. Due to economic sanction from United States, many factories were close down and buyer and customer moved to other countries. Myanmar garment industry comprises four types of firms. These are State Owned Enterprises (SOEs), Foreign Joint Venture (JV), 100% Foreign Firms and local private firms. According to the market economy, private sector participation has increased. Therefore, local private firms constitute the largest share of the industry.

3.5 Prospects for Myanmar Garment Industry

Garment sector export revenues are increasing significantly each year and the continued growth of the industry will surely create hundreds of thousands of new jobs in year 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.

Myanmar garment sector 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 U.S and European sanctions were imposed on Myanmar in 2001 in response to

reported crimes against humanity it tremendously affected the sector. According to International Labor 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 garments 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 garment sector is ranked fourth, according to DICA. According to the 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. Chairman of the MGMA, predicted garment export value will reach up to \$3 billion in 2017 if the sector can reach a production situation similar to that circa the millennium.

The Myanmar Garment Industry 10 year Strategy

In 2015, with the assistance of the International Labor Organization (ILO) and the British Council's, Myanmar Garment Manufacturing 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. 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 Cutting-Making-Packaging (CMP) to Freight on Board (FOB) and, ultimately, Own Design Manufacture (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 Cutting-Making-Packaging (CMP) system.

According to the business models, Garment factories worldwide fall into four primary categories; (i) Cutting, Making, Packaging system, (ii) Original Equipment Manufacturer (OEM) system, (iii) Original Design Manufacture (ODM) system and (iv) Original Brand Manufacturing (OBM) system.

The Cutting, Making, Packaging (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 Mexico.

As the saying goes, "Rome was not 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; (i) Improve the competitive advantage of the Myanmar garment industry (ii) Ensure that full social compliance and social dialogue is practiced at all levels of the industry (iii) Build an Apparel Training sector that supports the industry as it develops (iv) To build the image, position and brand of the Myanmar garment industry (v) To inform on policy changes which will improve the environment for positive sustainable growth of the textile and garment sector (vi) 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. 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 of the textile and garment sector.

In March 2015, the first National Export Strategy (NES) was launched by the Ministry of Commerce, with technical assistance from the International Trade Center (ITC) and financial support from Germany's Federal Ministry for Economic Cooperation and Development (BMZ) and implementation support from the Germany Agency for International Cooperation (GIZ). 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 MGMA.

Chair of the Myanmar Garment Manufacturing Association said the process of transition from Cutting, Making and Packaging (CMP) to Freight-on-Board (FOB) is between 50 percent almost 75 percent 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.

CHAPTER IV
PRIVATE GARMENT INDUSTRY IN NORTH OKKALAPA
INDUSTRIAL ZONE

4.1 Profile of North Okkalapa Industrial Zone

Yangon is the commercial city of Myanmar. It has many industrial zones. North Okkalapa Industrial zone is one of these zones. North Okkalapa industrial zone is included in Eastern Yangon district, Yangon Region. It is situated in the west banks of Ngamoeyeik creek. North Okkalapa industrial zone was in an industrial (Nga) quarter since after the establishment of North Okkalapa Township in 1963. The total area is 109.789 acres and was located beside Thudamar road and Sethmu road. This industrial quarter was changed to industrial zone in 1992, initially with a number of 65 industrial factories. After establishment of industrial zone, there was a steady progress of more factories reaching 94 factories in total. There are 87 factories in North Okkalapa Industrial Zone which are owned by Myanmar citizens and majority of them are registered at the Directorate of Industrial Supervision and Inspection, under the Ministry of Industry.

Table (4.1) Type of Industry and Number of Factories in North Okkalapa

| Industrial Zone (2016) | | |
|-------------------------------|----------------------------|---------------------|
| No. | Type of Industry | Number of Factories |
| 1 | Food and Beverages | 22 |
| 2 | Garment | 14 |
| 3 | Household Goods | 3 |
| 4 | Personal Goods | 11 |
| 5 | Raw Material | 6 |
| 6 | Metallurgical product | 14 |
| 7 | Electrical Part | 1 |
| 8 | Transportation and vehicle | 2 |
| 9 | Construction Materials | 2 |
| 10 | Warehouse | 7 |
| 11 | Miscellaneous | 5 |
| | Total | 87 |

Source: North Okkalapa Industrial Zone Management Committee

Table (4.1) shows all operating firms in North Okkalapa Industrial Zone. According to the table, garment industry stand in record place after foods and beverages industries. Food and beverages firms are the largest number of factories. These firms use the input of labor and capital intensive industries. Both labor and capital are used for production of food and beverages. The second largest factories are Garment and Metallurgical product. Those factories are mainly capital intensive and labor intensive industries. The smallest one is Electrical part. These industries are mainly capital intensive industries. The new modern machines are needed to produce electric materials and the cost of production is high and extends land for these industries are needed. Therefore, electrical part is less and small number of factories.

The number of factories in North Okkalapa Industrial Zone is shown in table (4.1). Most of the factories are small scale industries. There are difficulty to classify on the scale industries because among these, some factories investment are higher than the defined industrial norms, even some also have lower amount of investment but labor employed is more than the standard norms. Some are used not only investment but also more machine capacity and the employment or number of workers is employed less than others.

As there have 22 factories of food and beverages, it is the largest part of industries. Garment and Metallurgical product are second with 14 and the number of establishments in personal goods is third with 11 in number. There are many types of factories established in North Okkalapa Industrial Zone using modern technologies, modern production instruments and more open to markets both local and foreign, especially in developing countries.

4.1.1 Current Situation of North Okkalapa Industrial Zone

North Okkalapa Industrial Zone cannot extend its land area because of the limited area and another reason is the township population density. It was also provided with basic infrastructures like concrete roads, tarred road and drainage system for good flow of water and electricity and water supply.

North Okkalapa industrial zone is operating under the Industrial zone Management Committee. The committee was composed of (12) members and has taken responsibly for the development of zones, providing guidance and instruction for each firm and fulfilling the needs of industries. Industrial development depended on the investment and technologies fulfillment.

4.1.2 Investment Condition in North Okkalapa Industrial Zone

The productivity of these industries is based on their investment capacity, availability of raw materials and their market demand as well as economic environment. Table (4.2) illustrates total investment of North Okkalapa Industrial Zone

Table (4.2) Investment by Type of Industry in North Okkalapa Industrial Zone

| (Kyat in Million) | | | | | |
|--------------------------|----------------------------|------|------|-------|---------|
| No. | Type of Industry | 2013 | 2014 | 2015 | 2016 |
| 1 | Food & Beverage | 3585 | 3985 | 3985 | 4056.5 |
| 2 | Garment | 1250 | 1340 | 1360 | 1255 |
| 3 | Household Goods | 136 | 155 | 160 | 130 |
| 4 | Personal Goods | 1550 | 1495 | 2521 | 1613 |
| 5 | Raw Material | 450 | 370 | 377 | 477 |
| 6 | Agricultural equipment | 120 | - | - | 100 |
| 7 | Metallurgical product | 1250 | 1110 | 1120 | 1070 |
| 8 | Machine | 60 | - | - | 81 |
| 9 | Electrical Part | 150 | 190 | 200 | 200 |
| 10 | Transportation and vehicle | 110 | 110 | 110 | 160 |
| 11 | Construction Materials | 180 | 290 | 300 | 450 |
| 12 | Warehouse | 180 | 190 | 410 | 290 |
| 13 | Miscellaneous | 145 | 145 | 135 | 190 |
| | Total | 9166 | 9380 | 10678 | 10072.5 |

Source: North Okkalapa Industrial Zone Management Committee (2016)

Table (4.2) shows total investment by type of industry in North Okkalapa Industrial Zone. 9166 million (kyat) in 2013, 9380 million (kyat) in 2014, 10678 million (kyat) in 2015 and 10072.5 million (kyat) in 2016. The total investment has steadily increased from 9166 million (kyat) in 2013 to 10678 million (kyat) in 2016. The total investment of 2016 is slightly decreased rather than 2015 because garment industry, household goods industry, personal goods industry, metallurgical product industry and warehouse industry investments are decrease rather than 2015. The investment decrease because lack of full power supply and unstable workers. Investment condition has changed overtime and it shows that in all types of industries, investment amount has increased year by year. An increase in investment is given rising job opportunities and income level of labor especially for the people living in local and down town area.

4.1.3 Employment Condition in North Okkalapa Industrial Zone

Since the establishment of this industrial zone, the numbers of factories was limited by land area, but after the boost zone was exaggerated to investment and labor force, the number of factories has increased. Table (4.3) shows the number of employees in North Okkalapa Industrial Zone.

As can be seen Table (4.3), labor force in North Okkalapa Industrial Zone (2013-2016). In 2013, total number of employees are 3568, of whom male workers 1323 and female workers 2245. In 2016, total number of employees are 4055 whom male workers 1413 and female workers 2642. The garment industry has the highest number employed with 1999 workers in 2016 increasing from 1810 in 2013. Food and Beverages groups are in second position with 862 workers and the metallurgical product group is third with 392 workers. The number of employees has increased from 3568 in 2013 to 4055 in 2016. The percentage of workers in North Okkalapa Industrial Zone is 49.29 percent in 2013, 49.62 percent in 2014, 50.17 percent in 2015 and 50.72 percent in 2016. The percentage of workers increases because foreign company and garment industries are operating and these firms create employments. It is found that there was increasing of workers in North Okkalapa industrial Zone year by year.

Labor force increased year by year, therefore reduces unemployment. Job opportunities increase this region. The number of workers increases because foreign company and garment industries are operating and these firms create employments. There Industrial Zones can achieve more job opportunities for local people especially for female in garment industries not only educated persons but also uneducated persons. The plentiful of job opportunities can increase per capita income.

Table (4.3) Number of Employees in North Okkalapa Industrial Zone

| No. | Type of Industry | 2013 | | | 2014 | | | 2015 | | | 2016 | | |
|-----|----------------------------|------|--------|-------|------|--------|-------|------|--------|-------|------|--------|-------|
| | | Male | Female | Total | Male | Female | Total | Male | Female | Total | Male | Female | Total |
| 1 | Food and Beverage | 340 | 311 | 651 | 345 | 330 | 675 | 363 | 335 | 698 | 435 | 427 | 862 |
| 2 | Garment | 290 | 1520 | 1810 | 299 | 1532 | 1831 | 321 | 1548 | 1864 | 252 | 1747 | 1999 |
| 3 | Household Goods | 28 | 11 | 39 | 29 | 12 | 41 | 30 | 12 | 42 | 14 | - | 14 |
| 4 | Personal Goods | 188 | 150 | 338 | 180 | 160 | 340 | 189 | 162 | 351 | 179 | 193 | 372 |
| 5 | Raw Material | 75 | 15 | 90 | 59 | 12 | 71 | 61 | 10 | 71 | 64 | 10 | 74 |
| 6 | Metallurgical product | 175 | 155 | 330 | 180 | 144 | 324 | 190 | 147 | 337 | 218 | 174 | 392 |
| 7 | Electrical Part | 51 | 14 | 65 | 50 | 14 | 64 | 56 | 13 | 69 | 56 | 13 | 69 |
| 8 | Transportation and vehicle | 56 | - | 56 | 44 | - | 44 | 45 | - | 45 | 70 | - | 70 |
| 9 | Construction Materials | 20 | 8 | 28 | 29 | 9 | 38 | 30 | 6 | 36 | 55 | 6 | 61 |
| 10 | Warehouse | 75 | 55 | 130 | 90 | 90 | 180 | 106 | 94 | 200 | 33 | 69 | 102 |
| 11 | Miscellaneous | 25 | 6 | 31 | 35 | 6 | 41 | 32 | 6 | 38 | 37 | 3 | 40 |
| | Total | 1323 | 2245 | 3568 | 1340 | 2309 | 3649 | 1423 | 2333 | 3756 | 1413 | 2642 | 4055 |

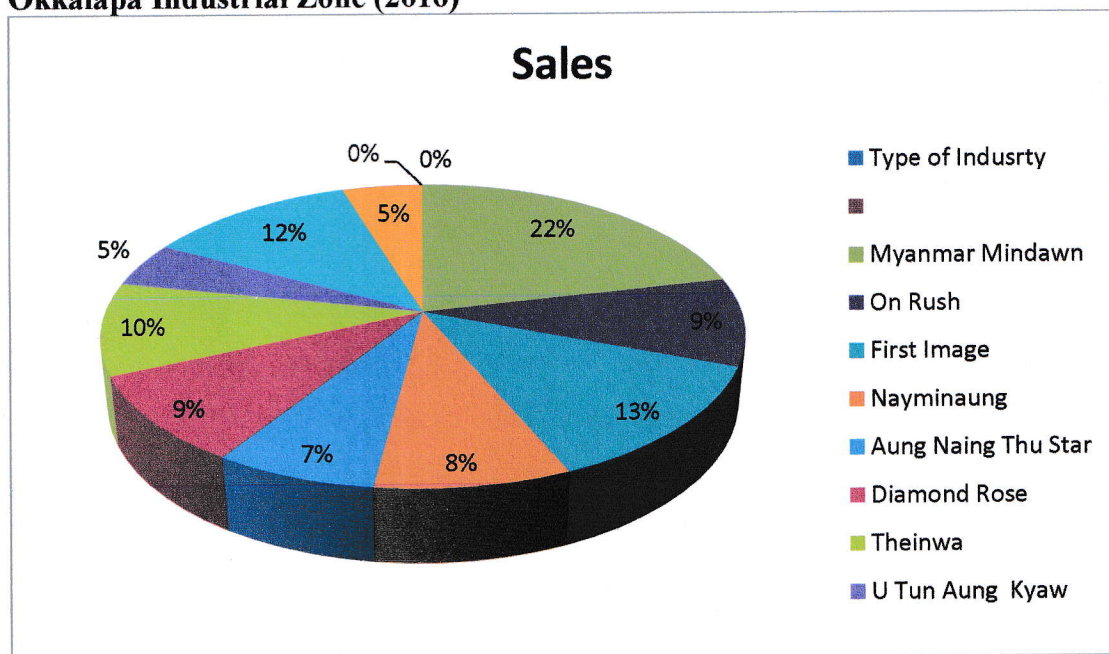
Source; North Okkalapa Industrial Zone Management Committee

Table (4.4) Number of Employees in Private Garment factories in North Okkalapa Industrial Zone (2016)

| No. | Type of Industry | Number of Employees | | |
|-----|-------------------------|---------------------|--------|-------|
| | | Male | Female | Total |
| 1 | Myanmar Mindawn | 46 | 279 | 325 |
| 2 | On Rush | 20 | 145 | 165 |
| 3 | First Image | 27 | 131 | 158 |
| 4 | Nayminaung | 18 | 142 | 160 |
| 5 | AungNaing Thu Star | 15 | 220 | 235 |
| 6 | Diamond Rose | 20 | 180 | 200 |
| 7 | Theinwa | 21 | 280 | 310 |
| 8 | U TunAungKyaw | 10 | 98 | 108 |
| 9 | Color Printing (1) | 26 | 11 | 37 |
| 10 | Color Printing (2) | 10 | 15 | 25 |
| 11 | Daw Tin Tin Win Garment | 7 | 20 | 27 |
| 12 | SeinDaramount | 70 | 30 | 100 |
| | Total | 290 | 1551 | 1841 |

Source : North Okkalapa Industrial Zone Management Committee (2016)

Figure (4.1) Number of Employees in Private Garment Factories in North Okkalapa Industrial Zone (2016)



Source : Based on table (4.4)

According to the table (4.4), the private garment factories in North Okkalapa Industrial Zone can create more job opportunities for the local people and reduction of the unemployment of North Okkalapa Township. Most of labor force is females of total labor force. Therefore, the dependence of woman may be reduced and socio-economic condition can be improve and reduce the country's poverty by getting more job opportunities for people in Yangon. Garment Industry in North Okkalapa Industrial Zone gives the opportunities of employment and creates indirect opportunities of other occupation such as driver, services, trader, security and other. Garment Industry in North Okkalapa Industrial Zone also creates other employment opportunities which are related to other Industrial Zone. They are indirect contact with Industrial Zone and they employee in the various factories related job. They are not permanents industrial labor but the Industrial Zone creates the job opportunities for pensioners, traders, services and other.

4.2 Private Garment Industry in North-Okkalapa Industrial Zone

The impetus for the development of the garment industry was given in 1988 when the government of Myanmar enacted the foreign Investment law which allowed foreign investment in Myanmar. The private sector (including both domestic and foreign firms) worked vigorously to start businesses in various sectors such as manufacturing, construction, mining, trade, tourism, retail, restaurants, and other services. The garment industry exhibited strong growth throughout the 1990s but most especially in the late 1990s and at the beginning of the new century. The garment industry is labor-intensive, export-oriented, and uses standardized technology. Such characteristics have made the garment industry the first rung on the industrialization ladder in many developing economies. Some, such as least developed countries (LDCs) like Bangladesh and Cambodia, have experienced very high output growth in this sector. Myanmar developed its garment industry as above.

Currently the Myanmar garment sector is going through a positive growth building phase and encouraged by the continued reforms and changes more investors are coming into the market which was once dominated by Japan and Korea. The Myanmar Investment Commission has granted permission to companies from China, Hong Kong, Korea, Thailand and Taiwan to invest in the local CMP business either with 100% FDI or through joint Ventures. With the ongoing economic changes, Myanmar is slowly establishing itself as a leading garment manufacturing hub. The

ongoing quest for low cost production has drawn manufacturers' attention to the clothing industry in Myanmar. Developed nations has passed over this labor - intensive garment manufacturing in old days and this could be seen now in developing economies where labor wage is low. The government believes that industrial development is important in building a new modern developed nation. Then, the government has been promoting private sector participation and foreign investment in industry.

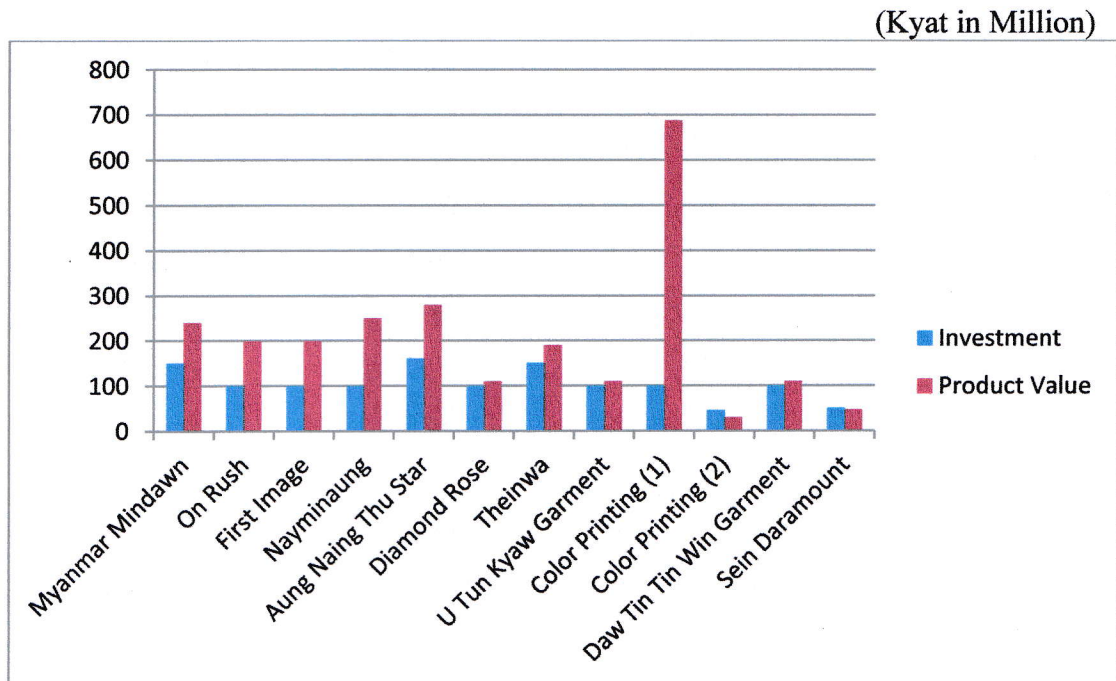
Table (4.5) Investment and product Value of private Garment Industry in North Okkalapa Industrial Zone (2016)

(Kyats in Million)

| No. | Type of Industry | Investment | Product Value |
|-----|-------------------------|-------------|---------------|
| 1 | Myanmar Mindawn | 150 | 240 |
| 2 | On Rush | 100 | 200 |
| 3 | First Image | 100 | 200 |
| 4 | Nayminaung | 100 | 250 |
| 5 | AungNaing Thu Star | 160 | 280 |
| 6 | Diamond Rose | 100 | 110 |
| 7 | Theinwa | 150 | 190 |
| 8 | U TunKyaw Garment | 100 | 110 |
| 9 | Color Printing (1) | 100 | 687.80 |
| 10 | Color Printing (2) | 45 | 30 |
| 11 | Daw Tin Tin Win Garment | 100 | 110 |
| 12 | SeinDaramount | 50 | 46 |
| | Total | 1255 | 2454.6 |

Source : North Okkalapa Industrial Zone Management Committee

Figure (4.2) Investment and Product Value of Private Garment Industry in North Okkalapa Industrial Zone (2016)



Source : Based on table (4.5)

According to figure (4.2), total investment of private garment industry is 1255 Ks million. Among these factories, Aung Naing Thu Star's investment has the highest amount. Total product value of private garment industry is 2454.6Ks million. Total product value of private garment industry is 2454.6Ks million among those factories; the product value of color printing (1) has the largest portion of the total product value because the costs of this factory is lower than other factories. The improvement of investment and production can create more job opportunities for people in local and other regions.

CHAPTER V

CASE STUDY ON AUNG NAING THU STAR GERMENT MANUFACTURING CO., LTD

5.1 Profile of Aung Naing Thu Star Garment Manufacturing Co., Ltd

Aung Naing Thu Star Garment Manufacturing Co., Ltd is a Myanmar citizen owned company incorporated and registered under the Myanmar Companies Act 1914 as an industrial company limited by shares. Authorized capital of the company is kyat 20,000 million and the amount of full paid-up share capital is kyat 16,000 million, The company is located at No.142(A) , Amara Road, (E) Block, North Okkalapa Industrial Zone, North Okkalapa Township, Yangon , Myanmar. In line with the requirements under the Myanmar Citizens Investment law, the company submitted a request for the issuance of investment permit which has now been granted by MIC for manufacturing and marketing ready-made garments

5.1.1 Goals

Aung Naing Thu Star Garment Manufacturing Company aims to expand its market shares in Myanmar Garment Industrial with assurances to fully satisfy the customer by guaranteeing the quality of its products as well as by meeting export deadlines and commitments.

5.1.2 Vision

To produce quality apparels by obtaining and applying new and improved technologies in the field of garment manufacturing and utilizing skillful employees to obtain customer's confidence and satisfaction.

5.1.3 Objectives

- To be in the forefront of garment manufacturing through the use of new and improved technology;
- To promote local garment industry by setting high standards for finished products for international customers;
- To increase production and export of quality garments produced on the basic of CMP system and;

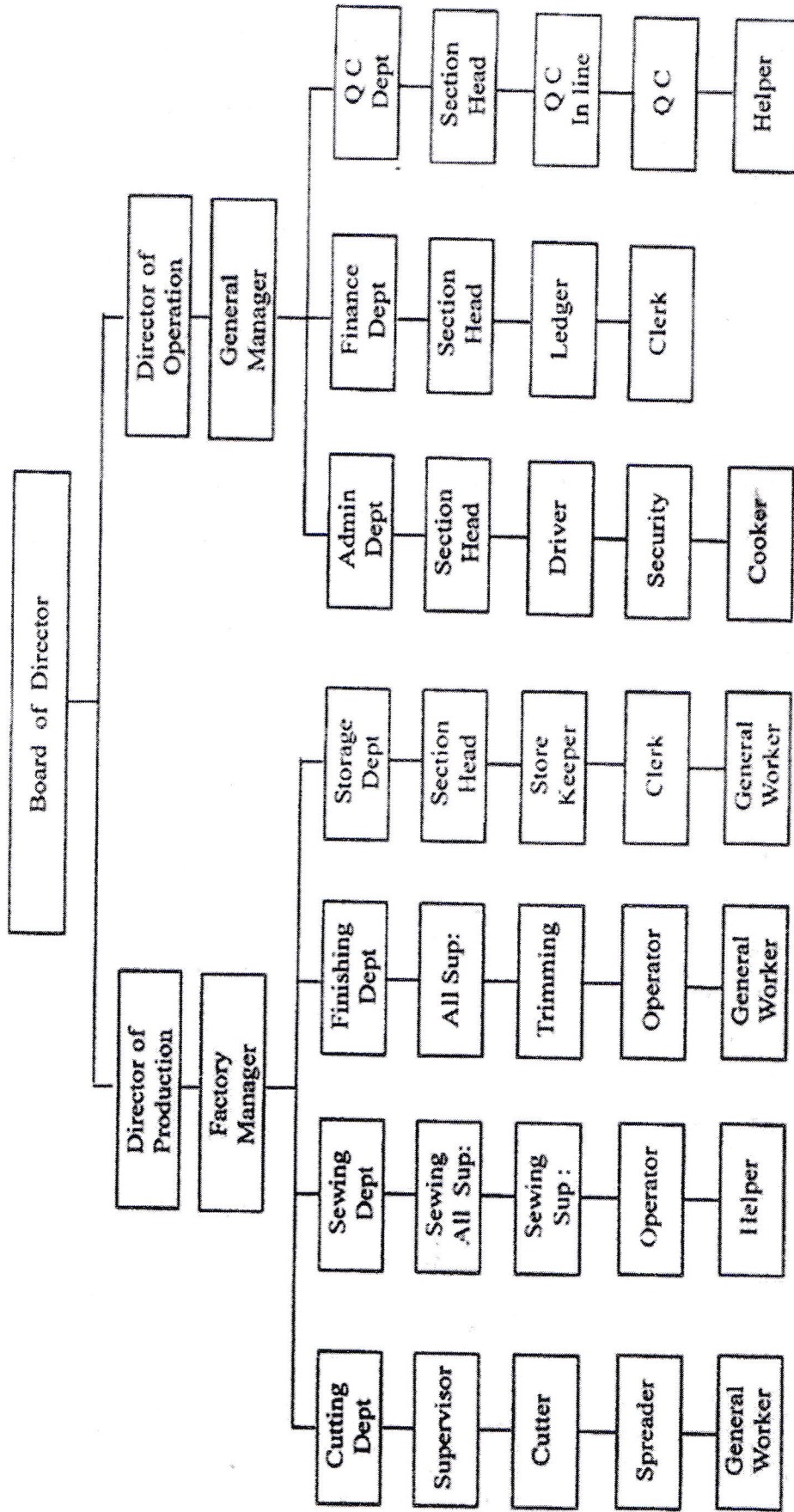
- To create employment opportunities for local community members, especially women in order to enhance their socio-economic status

5.2 Organizational Structure

The company is headed by a Four - Member Board of Directors with one acting as the managing Director responsible for managing and supervising day-to-day business activities of the company. The General Manager who works under the guidance of the Managing Director, oversee that the factory is operating smoothly, the workers are functioning satisfactorily and that all logistical requirements are being met in a timely manner. There are (7) major departments under the direct supervision of the General Manager. They are Cutting Department, Sewing Department, Finishing Department, Storage Department, Admin Department, Finance Department and QC Department. Under the Cutting Department there are Supervisor, Cutter, Spreader and General worker. Under the Sewing Department there are Sewing All Sup:, Sewing Sup:, Operator and Helper. Under the Finishing Department there are All Sup:, Trimming, Operator and General Worker. Under the Storage Department there are Section Head, Store Keeper, Clerk and General Worker. Under the Admin Department there are Section Head, Driver, Security and Cooker. Under the Finance Department there are Section Head, Ledger and Clerk. Under the QC Department there are Section Head, QC in Line, QC and Helper.

In accordance with the requirements of the company who is placing large orders-hereafter referred to us the buyer (Trading House of Japan). Instructors who will serve as quality control. General Manager are here to supervise and train local workers to ensure that they have required skills and capacity to manufacture garments that conform to the quality and design specification desired by the buyer. Aung Naing Thu Star Garment Factory's Organizational Structure is shown in figure (5.1)

Figure (5.1) Organizational Structure of Aung Naing Thu Star Garment Factory



Source : Aung Naing Thu Star Garment Factory

5.3 Human Resource Development

Factory workers are being recruited through the Labor Exchange Department of North Okkalapa Township. The comparative advantage in recruiting semi-skilled workers for the garment industry is that, there exists a pool of registered labor force with required skills, particularly those who are out of work from other garment factories that have to close down in the wake of economic sanctions imposed on Myanmar by Western countries.

This relieves the factory of the burden to provide initial training to the newly recruited workers as they are in a position to start working right from the beginning. Only on-the-job training is required that include familiarization to new types of machine and equipment, conforming to special design, cutting and sewing techniques, on work discipline, quality control, safety and basic health care. This training normally takes two weeks. At present, there are a total of 235 workers employed in the factory out of which 15 are males and the remaining 220 are female workers. Total number of employees in the Aung Naing Thu Star Garment Factory is shown in table (5.1)

Table (5.1) Total Number of Employees in Aung Naing Thu Star Garment Factory (2016)

| No. | Particulars | Number |
|-----|-------------|--------|
| 1 | Manager | 4 |
| 2 | Supervisor | 12 |
| 3 | Operator | 199 |
| 4 | Helper | 20 |
| | Total | 235 |

Source: Aung Naing Thu Star Garment Factory (2016)

According to the table, there are a total of 235 workers employed in the factory out of which 15 are male and the remaining 220 are female workers. There are 4 are managers, 12 are supervisors, 199 are operators and 20 are helpers.

Positive attitude and enhanced skills are the key elements to excel in any work environment but more so in the garment industry. The Company fully believes in its

own labor force and the motto is “our potential is unlimited” and by applying it transparently and displaying genuine trust towards them, the attitude of the workers themselves become more positive. The company also adheres closely to the idea of “improving people before improving products” and strived to upgrade the skills of its workers through repeated trainings for continuous improvement. This allows the company to face many challenges, particularly with regard to producing quality garments, without any difficulties which provides growing opportunities to excel. Staff who are not graduated are taken as unskilled labor and the percentage of different skill of labor is described in table (5.2).

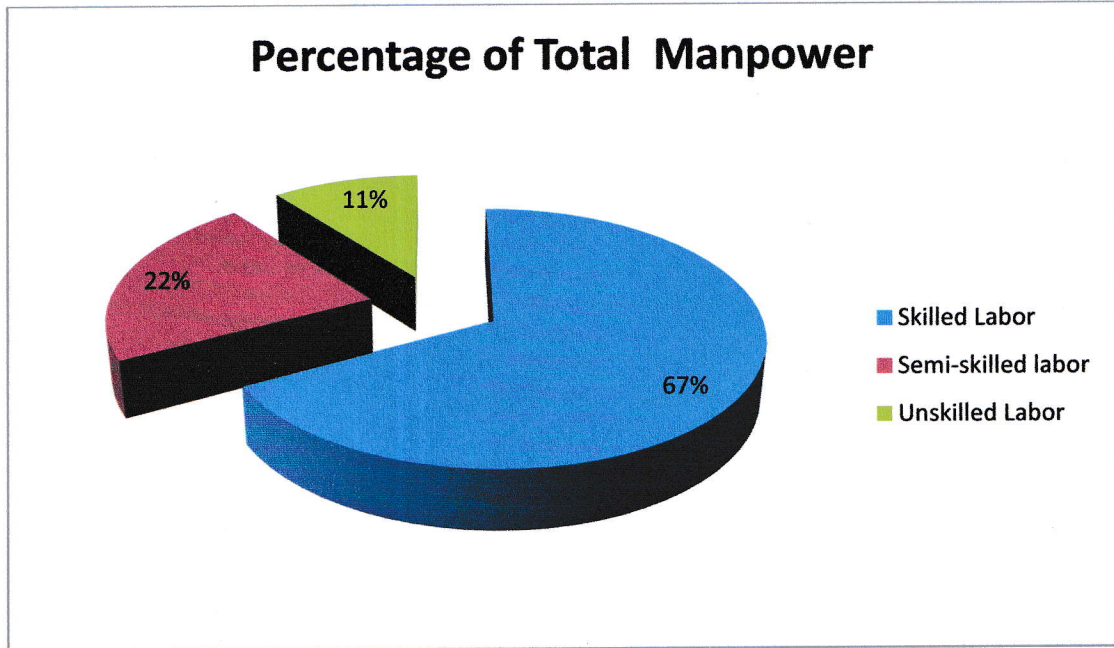
Table (5.2) Skill of Labor in the Aung Naing Thu Star Garment factory (2016)

| No. | Skill | Percentage of Total Manpower |
|-----|--------------------|------------------------------|
| 1 | Skilled Labor | 67.27 |
| 2 | Semi-skilled labor | 22.34 |
| 3 | Unskilled Labor | 10.39 |
| | Total | 100 |

Source: Aung Naing Thu Star Garment Factory (2016)

Total number of employees in Aung Naing Thu Star Garment factory is 235 people in which male (15-people)and female (220 - people). The gender percentage of labor force are illustrated in the figure (5.2)

Figure (5.2) Gender and Percentage of Labor Force

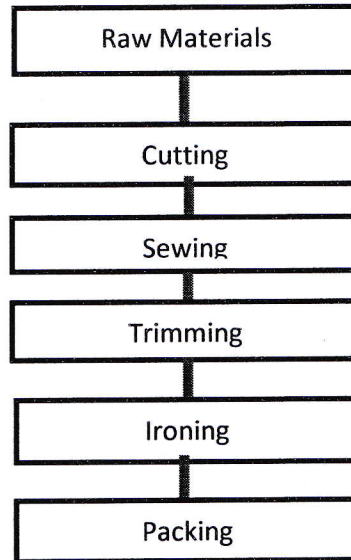


Source: Aung Naing Thu Star Garment Factory (2016)

5.4 Production Process

Sewing machines are the main types of machines used in garment industries. A complete set of required machines and equipment are bought under contract with a local trading company that is generating foreign exchange earnings from its export and this relieved the company from having to use its hard earned foreign exchange to import machines. The company has already completed sales and purchase contract with the manufacturer of the equipment. The factory's production processes are the first step is raw material. The second step is cutting and the next step is sewing. After through the sewing process and the next step is trimming. The next step is ironing and the last step is packaging. The factory's production process is presented in figure (5.3).

Figure (5.3) Production Process of the Factory



Source : Aung Naing Thu Star Garment Factory (2016)

Table (5.3) Production Condition of the Aung Naing Thu Star Garment Factory

| Year | Pants (Unit) |
|------|--------------|
| 2013 | 240000 |
| 2014 | 360000 |
| 2015 | 384000 |
| 2016 | 420000 |

Source : Aung Naing Thu Star Garment Factory(2016)

According to the table (5.3) this factory produce 240000 pants in 2013,360000 pants in 2014,384000 pants in 2015 and 420000 pants in 2016.Pants production increase year by year. This factory is in position to produce 420000 numbers of pants in 2016.The improvement of production is the power supply and transportation are better than last years. Therefore, job opportunities for North Okkalapa locals and other region are created by the improving investment and production rate. The improvement of production is because of more investment, more supply of electricity, better transportation, and qualified raw materials.

5.5 Investment Expenditure

The major products of the factory are ready-made apparels such as shirts and pants for men, blouses and skirts for women, sports wears and some winter clothing of superior quality. The basic raw materials for these apparels are just fabrics and accessories which are imported through the trading company contracted by the company with the buyer paying the cost including freight charges in accordance with CMP manufacturing system. As these raw materials are for products to be exported out of the country, no tax is being levied and thus, no cost is involved.

The main infrastructure, which is the factory and the land on which it is built upon, is a leased property and do not form part of initial investment cost. Only machines and equipment used for cutting, sewing, ironing and packaging and electrical appliances such as transformer, generator, and air compressors that have to be put in place to ensure smooth functioning of the machines and equipment form part of the cost of transportation vehicles including fork lifts and 10 ton trucks can be added and these expenditure are illustrated in the table (5.4) and (5.5).

Table (5.4) Operation Expenses of the factory

| Section | Expenditure (Kyat in Million) |
|------------------|-------------------------------|
| Cutting | 100 |
| Sewing | 100 |
| Finishing and QC | 50 |
| Ironing | 50 |
| Total | 300 |

Source : Aung Naing Thu Star Garment Factory (2016)

A complete set of auxiliary plant equipment and utility facilities is being contracted with same local trading company from which plant machinery and equipment user purchased. That trading company also has completed a sale and purchase contract with the manufacturer. The contract cost for auxiliary plant equipment and utility facilities is kyat 310 million as follows.

Table (5.5) Plants and Equipment Expenses in Aung Naing Thu Star Garment Factory

| Particulars | Number | Unit Price (Kyat in Million) | Total Expenditure (Kyat in Million) |
|---------------------|--------|---------------------------------|--|
| Generator (150 KVA) | 1 | 180 | 180 |
| Air Compressor | 5 | 3 | 15 |
| 2 ton forklift | 1 | 5 | 5 |
| 10 ton Truck | 1 | 60 | 60 |
| Saloon Car | 2 | 25 | 50 |
| Total | 10 | 273 | 310 |

Source: Aung Naing Thu Star Garment Factory (2016)

5.6 Remuneration and Incentives for Labor

A worker of foreign or joint venture export oriented garment factory, on average, earns 85000 to 90000 kyats a month which is 15% to 20% more than an assembly line operator at Aung Naing Thu Star Garment Factory is earning. However, the working conditions are very strict in the former with workers working 10 hours per day, 6 days per week. There are times where they have to work 14 hours a day and earn overtime charges given out on monthly basis. Some industries do not have social service packages and so far there is no group life insurance.

Managers and supervisors, workers working on the assembly line at the Aung Naing Thu Star Garment Factory are paid according to the number of pieces they produce within a day and are paid on monthly basis. This system itself serves as an incentive for workers to work faster. A quota is set for each part of the assembly line so that a monthly minimum salary can be calculated and in most instances, the total monthly income of a worker not only exceeds the set monthly minimum salary but also of the salary of their peer working in foreign and joint venture companies.

The increased production and the time saved in the process serve as a balancing factor for the company in terms of income and expenditure. Even at times when the volume of order is low and the income declined below the break-even point, the company sees to it that the workers are paid a few points above the set monthly minimum salary which actually is a subsidy. Although this is to the disadvantage of

the company, the move secures the trust and confidence the workers have towards the company which is important for any manufacturing business.

The year-end bonus is another incentive for workers of Aung Naing Thu Star Garment factory. The total amount of bonus an individual receives is calculated with the maximum monthly income payment he or she has generated during the last twelve months serving as the basis. Effort made continuously to improve the working condition of the factory is another factor that workers appreciate. The working assembly lines are fully illuminated to ensure that there is adequate lighting, air-cooling fans are in place to lessen the working environment temperature and the provision of transportation for workers from the factory to the designated points nearest to their home allow to travel conveniently back and forth even in extreme weather.

5.7 Welfare Services

Work without recreation in the long term can and do generate stress that disrupts not only the harmonious working environment but also the amiable interpersonal relationships, between peers as well as between workers and the management team. The management team of the Aung Naing Thu Star Garment Factory organizes paid pilgrimage trips for its workers annually.

These trips are normally organized during short holidays that coincide either with auspicious religious celebrations or with important national events. Though the trips are meant to be recreational, the tradition of going on a pilgrimage is so embedded in Myanmar's culture that people are more ready and acceptable to take part in a pilgrimage tour than making a holiday trip to a resort. Each worker is allowed to bring two of his or her close family members on these trips free of charge but additional members will have to pay transportation charges. Both accommodation and meals are free of charge for everybody.

Provision of health care services for factory workers is the important service of the company. Occupational safety and health can be important for moral, legal and financial reasons. Physical hazards are a common source of injuries in many industries. They are perhaps unavoidable in many industries, but overtime people have developed safety methods and procedures to manage the risks of physical danger in the workplace.

Contributing to both joyous and sad occasions of the factory workers and their families through the fund set up for the purpose is another welfare activity initiated by the company. Workers can make voluntary contributions by the company and whenever a donation is made to this fund, the management team will donate twice that amount as an encouragement as well as to ensure sustainability. There is an amount set for each donation but varies from occasion to occasion depending on the nature of it, it can be happy occasions like religious ceremonies and sad ones like accidents, hospitalization and funerals.

CHAPTER VI

CONCLUSION

6.1 Findings

With high productivity and ready markets, the industry is generating revenues quickly and do not require very advanced technology to manage and run. Because it is a labor intensive industry, mostly utilizing the more disadvantaged gender as workers, textile and garment industries is found to be best suited for a developing country like Myanmar which provides increased employment opportunities for women. The primary aim of the industry is to manufacture high quality garments with minimum cost in order that the products will be able to penetrate into the international market utilizing local workers. At present, foreign buyers are willing to buy the products on a long-term basis as long as the industry is manufacturing quality products that conform to their design and quality specifications.

Out of 87 newly established industries on 109.789 acres of land known as North Okkalapa Industrial Zone situated on the western banks of Ngamoeyeik creek, Yangon Division, 14 of them are garment manufacturing industries falling only second to Food and Beverages industries which is understandable. However, in terms of employment, the garment industry is at the forefront employing a total of 1841 workers in 2016 and the majority of them are semi-skilled laborers.

Aung Naing Thu Star Garment Manufacturing Co., Ltd is one of the Myanmar citizen owned company. Its primary aim is to expand its market shares in Myanmar Garment Industry with assurances to fully satisfy the customers. The fact that the company will utilize its skillful workers in producing quality apparels indicates that the company will strive to enhance the capability of its employees. In addition to utilizing new and improved technology and setting high standards in manufacturing finished products, the company has included the creation of employment opportunities for local community members, especially women in order to enhance their socio-economic status as one of its objectives. This is in conformity with social enterprise interventions the government is encouraging the private sector to engage in.

The remuneration package put in place by the company paying according to the number of pieces the workers produce within a day-allowed its workers to enjoy monthly incomes that exceed not only the set monthly minimum salary but also of the

salary of their peer working in foreign and joint venture companies which is around 85000 to 90000 kyats. The year-end bonus is another incentive the workers of Aung Naing Thu Star Garment factor. The total amount of bonus an individual worker receives is calculated taking the maximum monthly income payment he or she has generated during the last twelve months as the basis. Effort made continuously to improve the working condition of the factory is another factor that workers appreciated. A fund is also set up to contribute towards both joyous and sad occasions of the factory workers and can be happy occasions like religious ceremonies and sad ones like accidents, hospitalization and funerals. The voluntary donations made by workers are being doubly matched by the management team as an encouragement as well as to ensure sustainability.

Thus, it can amply be concluded that the garment industry has made considerable impact on the socio-economic well-being of its workers who are predominantly women.

However, the present Myanmar garment industry remains vulnerable with extreme dependency on the buyers as the industry itself is typically a buyer-driven value chain characterized by highly competitive and globally dispersed production systems. The industry has to compete not only with highly developed ones within the region but also with locally based foreign owned and/or joint venture companies. Most of them have years of experience, especially in setting up garment factories in many Asian countries and with their mother units in developed countries, they have access not only to most advanced technology but also to loans and other financial sources to purchase required technology. With a large number of their staff members based in different countries these companies have established networks that can build a strong customer and company relationship.

Moreover, North Okkalapa Industrial Zones has CMP of garment factories able to create much more job opportunities and increase the level of income for regional people. North Okkalapa Industrial Zones produce varieties of goods, especially consumer goods, personal goods, which fulfill the demand for domestic consumption and expand local markets. If, the electric power can get sufficient in Industrial Zones there will increase production. There would create more productivity of labor and employment opportunities. North Okkalapa Industrial Zones has CMP of garment factories able to get Foreign Direct Investment and technical know-how is adopted as a tool of regional development.

The most important requirements for the development of industries in Yangon Division are establishment of needed infrastructure, well-trained human resources, business oriented institutions and tax system.

They are in now in a better position to generate adequate income for their families, have means and ways to look after their own health to become productive members of the society with additional support in times of joy as well as in times of grievances. All in all, the increased income, better health care facilities and access to additional financial support systems are themselves, the positive contributions a labor intensive industry like the garment industry is making to alleviate poverty.

6.2 Suggestions

In Myanmar to be able to develop industry there much 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.

If the industry does not unite and take opportunity in the focus that the government will be making for industrialization, Myanmar will no longer be able to have a competitive export garment industry due to the competition from the neighboring countries.

Industrial Development Committee to implement industrial zones development and the construction of new industrials zones in cooperation with respective region and state governments. The government should be placed more emphasis on the development of SMEs, which would create more job opportunities of the citizens and aimed at establishing heavy industries.

It is essential to create a textile and garment-marketing board, which promotes Myanmar, manufactures by attending all major textiles, fairs and gives 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.

Initiate training programs for local firms to develop its management and understanding of the latest technology so as be more efficient and professional similar to foreign firms. It is needed to create a wage standardization board so as to lower the incidence of worker turnover.

If the recommended objectives are carried out and if support for the objectives is given by the authorities, Myanmar Export Garment Industry will become more competitive and develop in neighboring countries.

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