



The Garment Industry in Myanmar: Status Update and Current Dilemmas: Should We Stay or Should We Go?

May 2021

This update has been prepared by the Garment Group of EuroCham Myanmar, the European Chamber of Commerce in Myanmar¹, to highlight the current situation and dilemmas faced by the industry and its workers. We hope this document can serve as a basis for discussion with all our stakeholders to help European garment businesses continue supporting the garment workers and find solutions to the current challenges. On 12 May, the Vice-Chair of the Working Group on Business and Human Rights, Prof. Surya Deva commented: *“There may come a point at which businesses might need to suspend operations or even consider an exit from the country if risks of involvement in human rights abuse cannot be reasonably managed, while doing so in a manner to safeguard the well-being of workers and affected communities”*². We address these issues in this paper, in so far as they affect Myanmar’s garment sector.

The Myanmar garment industry has grown significantly over the past few years, providing decent job opportunities for hundreds of thousands of workers. The reinstatement of EU trade preferences, or otherwise the Everything But Arms (EBA) initiative incentivized many European investors to come to Myanmar and develop the industry. Between 2012 and 2018, the value of garment exports rose by 500%, from around USD 900 million to USD 4.6 billion by 2018. In 2019, the Myanmar apparel industry exported US\$5.7 billion worth of garments and a further US\$1 billion of footwear and handbags, an increase of 26% on the previous year. A critical factor behind this growth has been tariff-free access to European and North American markets. More than half of the apparel exports produced in Myanmar is now sent to the European Union.

Industry diversification continued, with a further shift from many investors to vertically integrate, building up more value-added production within Myanmar. The first GOTS certified cotton was grown in-country, the first zipper factory was established, denim washing facilities, garment printing facilities, a circular knitting factory, and a dedicated production for footwear uppers and for soles, were among the several companies for whom production was either newly established or which expanded production³.

The sector’s rapid growth has significantly contributed to the economic development of Myanmar and thereby reduced poverty. Before the offset of the Covid-19 pandemic, the industry employed approximately 700,000 people⁴, representing, according to ILO, 10% of the total female workforce of the country⁵. It supported thousands of more jobs in sectors such as logistics, transportation, daycare, and food services. Through revenue redistribution, these jobs support families all over the country. ILO’s data emphasizes that 86% of the workers send back approximately 50% of their salaries to their relatives⁶.

EuroCham Myanmar Garment Group brands conduct due diligence along their supply chains and aim to ensure responsible operation by their suppliers. In addition to monitoring them for strict compliance with the international

¹ More information on the Garment Advocacy Group of EuroCham Myanmar is available on [this page](#).

² See [“Myanmar: Time for business to take a stand against human rights violations - UN experts”](#) (OHCHR, 2021)

³ See [“Apparel & footwear exports. Dynamic growth & unprecedented challenges”](#) (SMART Myanmar, 2020)

⁴ See [“Apparel & footwear exports. Dynamic growth & unprecedented challenges”](#) (SMART Myanmar, 2020)

⁵ See [“The supply chain ripple effect: How COVID-19 is affecting garment workers and factories in Asia and the Pacific”](#), p. 2 (ILO, 2020)

⁶ See [“Weaving Gender: Challenges and opportunities for the Myanmar garment industry”](#), p. 23 (ILO, 2018).



standards, we are committed to promote and facilitate skill development and empower the labour force, supported by the SMART initiative. Some of our companies, through our membership of ACT⁷, have worked with unions to improve freedom of association, dispute resolution and COVID-19 response in the sector.

The political crisis that followed the Myanmar military's declaration of a state of emergency on February 1st has created safety, logistical and banking challenges for all businesses and its employees including the garment sector. EuroCham Myanmar members' survey in April 2021 showed that concern for employees' safety remains the highest priority⁸.

The declaration of martial law in some Yangon townships has particularly affected the safety of garment sector employees who live there. However, many garment workers who fled violence in Yangon's main industrial areas in March have returned. Most are female migrants with a minimal social safety net and no job opportunities in their villages. Factories that have restarted operations observe consistently high attendance rates averaging 85% in late April and May. However, EuroCham Myanmar's preliminary survey shows that a quarter of the workers have already lost their jobs, and the situation is likely to significantly worsen by the end of June.

The logistical problems which led some European brands to pause sourcing in March are broadly resolved. However, European companies now need to decide whether to continue to source from Myanmar. If not, our suppliers' factories have informed us that they will close, and more workers will be made redundant and skilled teams in factories will disperse. Inevitably, sourcing will relocate to other countries, and the sector is unlikely to recover for years. If and when European sourcing does return, it will find, as it did in 2012, that the industry is once again well behind its competitors in terms of productivity, safety, environmental and labour practices, since the linkages to the European market which drive these improvements will have been lost.

The dilemmas faced by our brands are both practical and ethical and reflect the questions raised by their stakeholders inside and outside the country:

- Will continued operations be possible, given ongoing concerns about safety and possibly financial and logistical hurdles?
- Is responsible sourcing possible in a context where human rights, including the right to freedom of association, are under severe threat?
- If they continue to source, from Myanmar how can they support workers and the broader population in the current crisis?
- What would be the consequences if European companies stop sourcing from Myanmar? If they leave, how can they exit responsibly?
- Would continued sourcing benefit the military?

Some of these questions have no clear answers: the situation remains volatile and continued practical and safety challenges are expected. Even though workers' rights are under threat outside the factory gates, brands can and must continue to work with supplier factories to ensure that they are protected in the workplace through ongoing human rights due diligence and social dialogue. They will address specific challenges with trade unions to the extent that they are able to operate inside and outside of Myanmar, including through ACT. This includes support for workers who are unable to return to work because of fears for their safety.

⁷ See "[ACT: Where we work](#)" (ACT, 2021)

⁸ See "[Impact of the Current Events on the EU Business Community](#)" (EuroCham Myanmar, 2021)



If companies continue to remain in Myanmar, they will look at options for additional support to the vulnerable in the current crisis. Some already plan to contribute to support the ongoing operations of the Myan Ku Emergency Cash Fund established by the EU, which provides financial assistance to vulnerable garment workers⁹. Should they exit, this will include ensuring suppliers meet all their legal obligations.

Some of the questions do have clear answers: exit will negatively impact the livelihoods of hundreds of thousands of workers and their dependents. Pre-pandemic, average monthly salaries were about 200,000 MMK, double the agricultural sector, and three times higher than the poverty line. Garment workers have few other livelihood options in Myanmar as the economy shrinks by at least 10%. Opportunities to migrate overseas are limited, including as a result of COVID19, and put them at risk of trafficking. The removal of European market linkages will also be likely to reverse the progress made on improved Environmental, Social, and Governance (ESG) practices in what is left of the sector, as the remaining low-end sourcing, such as existed prior to 2012, will not demand this. We note that the EU has recognized that its response to the political events in the country should not cause harm to the people of Myanmar¹⁰. We also share that aim and strongly call on keeping the EBA trade preferences in place to protect the industry and the hundreds of thousands of jobs.

We are also confident that the garment sector provides few direct benefits to the country's military or government. It is dominated by wholly foreign-owned businesses, which represent 67% of the factories and account for 80% of the sector's total employment. The lack of direct ties between the garment industry and the Tatmadaw (military) was noted by both the UN Fact-Finding Mission (2019) and Amnesty International (2020). These reports and company due diligence have identified two companies out of around seven hundred in the sector with existing or historic links to military company Myanmar Economic Holdings Ltd. European shippers servicing the sector aim to avoid wherever possible the ports and industrial zones that military businesses own and use alternatives.

Due to the structure of the CutMakePack industry globally, we estimate that less than a quarter of the export value of the sector enters the country as foreign exchange, and this is primarily used to pay the salaries of Myanmar workers. These workers pay little income tax, as this is only payable on wages of over 400,000 MMK per month.

EuroCham Myanmar and its Garment Sector Group believe it is useful to share these dilemmas with all our stakeholders and in particular the EU and member states and the UN experts. We intend this as a basis for dialogue and hope to receive further guidance to European businesses to navigate the crisis and maintain the contribution of the sector to shrinking livelihood opportunities in Myanmar.

EuroCham Myanmar remains committed to help all EU businesses as they navigate this complex situation. We will continue to engage relevant stakeholders to find sustainable solutions for the people of Myanmar that respect their rights.

⁹ See "[EU Myan Ku Fund](#)" (SMART Myanmar, 2021)

¹⁰ See "[Myanmar: Speech by High Representative/Vice-President Josep Borrell at the EP debate](#)" (February 9th, 2021)