REPUBLIC OF THE UNION OF MYANMAR

NATIONAL EXPORT STRATEGY

TEXTILES AND GARMENTS

SECTOR STRATEGY 2015-2019

Myanmar Ministry of Commerce

International Trade Centre

The National Export Strategy (NES) of Myanmar is an official document of the Government of the Republic of the Union of Myanmar.

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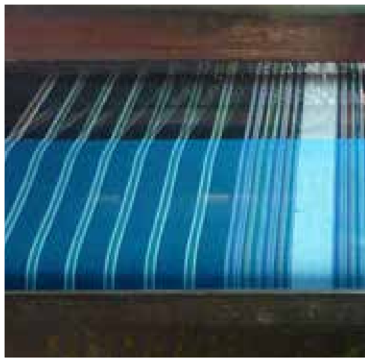

Myanmar Ministry of Commerce

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ACRONYMS

BSCI	Business Social Compliance Initiative
CBM	Central Bank of Myanmar
CMP	Cut-Make-Pack
CoC	Certificate of Conformance
DICA	Directorate of Investment and Company Administration
EU	European Union
FDI	Foreign Direct Investment
FOB	Mode of garment production in which the manufacturer purchases its own inputs, rather than assembling inputs provided by a garment buyer
GSP	Generalized System of Preferences
HS	Harmonized System
INGO	International Non-Governmental Organization
ISO	International Organization for Standardization
ITC	International Trade Centre
JICA	Japan International Cooperation Agency
LDC	Least Developed Country
MFTB	Myanma Foreign Trade Bank
MGMA	Myanmar Garment Manufacturers Association
MIC	Myanmar Investment Commission
MNPED	Ministry of National Planning and Economic Development
MoC	Ministry of Commerce
MoE	Ministry of Energy
MoECF	Ministry of Environmental Conservation and Forestry
MoEP	Ministry of Electric Power
MoFR	Ministry of Finance and Revenue
MoH	Ministry of Health
MoI	Ministry of Industry
MoIP	Ministry of Immigration and Population
MoLESS	Ministry of Labour, Employment, and Social Security
MoRT	Ministry of Railway Transport
MoT	Ministry of Transport
MTDC	Myanmar Trade Development Committee
NES	National Export Strategy
NGO	Non-Governmental Organization
OHSAS	Occupational Health & Safety Advisory Services
PoA	Plan of Action
SEZ	Special Economic Zone
SOE	State-Owned Enterprise
TA	Technical Assistance
TSI	Trade Support Institution
TSN	Trade Support Network
UMFCCI	Union of Myanmar Federation of Chambers of Commerce and Industry
WFOE	Wholly Foreign-Owned Enterprise
WRAP	Worldwide Responsible Accredited Production

CONTENTS

LIST OF FIGURES

TABLES

BOXES

EXECUTIVE SUMMARY

CURRENT CONTEXT

The garment sector is one of Myanmar's most dynamic and is widely regarded with great anticipation as a driver of future growth in manufacturing. As rising wages in China threaten to undermine its global dominance of the garment sector, some China-based manufacturing has begun to shift towards other countries in the region. At the same time, major political and economic reforms in Myanmar are leading to an easing of international sanctions. This has created an opportunity for the world's garment manufacturers to tap into Myanmar's large pool of 29 million, mostly low-skill and low-cost, workers. Rapid increases in production volumes have already been seen, with exports growing almost threefold from US$349 million in 2010 to US$912 million in 2012.[1]

The Myanmar Garment Manufacturers Association (MGMA) projects this rate of growth to continue in the medium term, leading to a proliferation of manufacturers. In early September 2013 the sector consisted of about 280 firms, but the MGMA believes that number will need to exceed 800 by 2015, in order to meet demand. Ramping up production so much so quickly is expected to require:

- A suite of policy measures to support the sector's growth, including creating dedicated industrial parks, labour legislation, targeted infrastructure, skills development and tax exemptions for inputs used in export processing;
- Availability of operating and export finance to entrepreneurs;
- A large infusion of foreign direct investment (FDI), in either wholly foreign-owned enterprises (WFOEs) or joint ventures;
- The attraction of a very large number of workers;
- The retention of skilled labour;
- Greater private sector involvement.

1. International Trade Centre based on United Nations Comtrade statistics, 2013.

Nearly all of the sector growth comes from private, foreign-owned factories, with firms from the Republic of Korea being most numerous at the moment. Other major sources of FDI in the sector include China, Hong Kong (China), Chinese Taipei and Japan. FDI will need to play a large role in the sector's growth if MGMA's projected growth rate for the sector is to be realized.

The industry, which is concentrated in Yangon, consists of production for the domestic market and assembly contracts for foreign buyers known as cut-make-pack (CMP). Under the CMP mode of production, buyers provide Myanmar firms with the inputs for a garment, which they then cut and assemble.

The FOB mode of garment production, in which the manufacturer purchases its own inputs – and in some cases designs the garment – offers more opportunities for value retention and addition than CMP, and has been a common next step in the evolution of the garment industry in many countries. The collective strategic focus of the Myanmar garment sector is currently on creating the productive capacities and business environment which will enable that transition.

For the textile side of the sector, only 6% of domestic demand was met by domestic production in 2012.[2] There is little expectation among sector stakeholders that textile production will grow at pace with garment production, and nor should it. Textile manufacturing, in general, is a notoriously low-margin and environmentally dirty enterprise. Myanmar's geographically dispersed textile factories are not set up to support garment factories, which are highly concentrated in Yangon, but rather to support production of longyis and other garments for the domestic market. Therefore, while this strategy does make recommendations for the strengthening of textile production as part of the garment value chain, it is an export strategy and therefore focuses specifically on the high potential for garment exports. For further discussion of the rationale behind this focus, see box 2.

2. NES garment sector team.

EXPORT PERFORMANCE

In 2012, Myanmar exported more than US$900 million in garments but only US$2.4 million in textiles. Of the garments exported, only 7% were knitted or crocheted (HS 61) and 93% were not (HS 62). Garments of man-made fibres accounted for 96.4% of exports and those of cotton for 2.4%, while 1.2% were of other textiles, such as wool and silk. At the six-digit Harmonized System (HS) level, Myanmar exported only 20 garment articles in annual quantities worth US$10 million or more. None of these were knitted or crocheted.

Garment exports are now the country's fourth most important by value. However, the sector's growth started from a very low point and its market share is less than 1% in all of its markets except Georgia, where its products account for 15% of the market. The annual imports of the world's largest markets are each measured in the tens of billions of dollars, while Myanmar's exports to its most important destinations are measured in mere tens of millions of dollars.

OPTIONS FOR FUTURE DEVELOPMENT

With Myanmar's exports equalling about 1.5% of China's, getting even 1% of China's business would nearly double Myanmar's exports. Myanmar's path to exports, at least in the next several years, lies in the targeting of more high-volume orders with little differentiation of the sort currently being produced. As production capabilities and market experience increase over time, it will become increasingly feasible for some of the quickly growing number of Myanmar firms to specialize in higher-margin products and explore other forms of value addition, such as brand development and more direct distribution channels.

The following vision has been developed to guide the garment sector and its export development efforts.

> "Job creation and economic development through environmentally sustainable export growth in the textile and garment sector."

To achieve this vision, the strategy will reduce the binding constraints on trade competitiveness and capitalize on strategic options identified for the Myanmar textile and garment sector. The strategic orientations for the next five years aim at developing key markets in the short and medium terms for Myanmar exporters, and facilitating structural changes in the value chain to increase its efficiency and value generation.

The strategic options for Myanmar's garment sector over the next five years can be put into five categories, which can be pursued in roughly the following order:

1. **Production mode:** the transition from the CMP mode of manufacturing to the FOB mode, for greater profitability.
2. **Volume:** the ramping up of production volume for the current portfolio of exported products, for sector growth and higher firm revenues.
3. **Quality:** establishment of industry-wide quality standards and their attainment by a large majority of the sector's firms, for higher margins and access to more markets.
4. **Knit products:** development of capacity for production of knit garments, for access to more markets and value chain development.
5. **Design:** development of design capacity, for higher margins and value chain development.

Myanmar enjoys less than 1% of the market in each of its five most important markets today: Japan, the Republic of Korea, Germany, the United Kingdom of Great Britain and Northern Ireland, and Spain. Developing these further will continue to be a high priority in the short term. The most important new market for Myanmar to penetrate is the United States of America, which alone accounts for 20% of global garment imports. An anticipated lifting of United States sanctions will free importers to buy from Myanmar, but extension of Generalized System of Preferences (GSP) or least developed country (LDC) tariffs to Myanmar garments is also important for ensuring their competitiveness.

Another nine target markets are France, Italy, Hong Kong (China), the Netherlands, Canada, the Russian Federation, Belgium, Switzerland and Austria, which together with Myanmar's existing markets account for 75% of the global market. All but Hong Kong (China) (a major trading partner) and Canada (which borders the market-leading United States) are in the compact geographic region of Western Europe, providing Myanmar marketers with efficiencies through shared distribution channels, marketing cost savings, and knowledge needed in terms of language and culture.

In the short term, the sector's product focus will remain on work uniforms, men's dress shirts, men's suits, men's jackets and men's pants, with an expansion of knit T-shirts, polo shirts and men's underwear, particularly for the United States market. In the medium term, the product focus will expand to include cardigans, ladies' jackets and coats, and ladies' pants and blouses. By the end of this strategy's five-year time frame, original design capacity and marketing relationships should also be sufficient to begin transitioning some manufacturers from FOB to original design.

ROAD MAP FOR SECTOR DEVELOPMENT

The sector strategy vision will be achieved through the implementation of the Plan of Action (PoA) for the sector. This PoA revolves around the following four strategic objectives, each spelling out specific sets of activities intended to address both challenges and opportunities facing the sector:

1. Secure public policies that will enable transformation of the Myanmar textile and garment sector from the CMP mode of manufacturing to the FOB mode.
2. Substantially increase production and exports of textiles and apparel according to international quality standards.
3. Greatly improve efficiency and reduce costs of the sector through the public provision of critical infrastructure in sector-dedicated zones and port facilities.
4. Achieve widespread adoption of worker protections and environmentally friendly technologies and practices.

TARGETS

If the sector's PoA is fully implemented, the sector should expect to meet the following targets:

- Export more than US$10 million worth of garments to 12 of the top 25 national markets (currently 5 of 25).
- Exceed market share of 1% in five of the top 25 national markets (currently 0 of 25)
- Export more than US$50 million worth of garments to the United States (currently US$1 million to US$2 million)
- Quadruple the value of garment exports by 2020.

IMPLEMENTATION MANAGEMENT

The PoA calls for a range of activities to help achieve these ambitious targets through coordinated efforts from all relevant private and public stakeholders, as well as support from key financial and technical partners, donors and investors. Several institutions are designated to play a leading role in the implementation of the sector PoA and bear the overall responsibility for successful execution of the strategy. They will be assisted by a range of support institutions that are active in the textile and garment sector. Each institution mandated to support the sector's export development is clearly identified in the strategy PoA. Moreover, the Myanmar Trade Development Committee (MTDC) and its Executive Secretariat will play a coordinating and monitoring role in the implementation of the strategy in the overall framework of the NES. In particular, the MTDC will be tasked with coordinating the implementation of activities in order to optimize the allocation of both resources and efforts across the wide spectrum of stakeholders.

Box 1: Methodological note

The approach used by ITC in the strategy design process relies on a number of analytical elements such as value chain analysis, trade support network (TSN) analysis, problem tree and strategic options selection, all of which form major building blocks of this sector export strategy document.

Value chain analysis: A comprehensive analysis of the sector's value chain is an integral part of the strategy development process. This analysis results in the identification of all players, processes and linkages within the sector. The process served as the basis for analysing the current performance of the value chain and for deliberating on options for the future development of the sector.

TSN analysis: The TSN comprises the support services available to the primary value chain players discussed above. It is constituted of policy institutions, trade support organizations, business services providers and civil society. An analysis of the quality of service delivery and constraints affecting the constituent trade support institutions (TSIs) is an important input to highlight gaps in service delivery relative to specific sector needs. A second analysis of TSIs assessed their level of influence (i.e. their ability to influence public policy and other development drivers in the country and therefore make things happen or change) and their level of capacity to respond to the sector's needs.

Problem tree analysis: The problem tree analysis used is based on the principles of root causes analysis. The problem tree provides a deeper understanding of what is causing the sector's constraints and where solution-seeking activities should be directed. As a critical step in the analytical phase of the sector's performance, the problem tree guides the design of realistic activities in the strategy's PoA.

Strategic orientations: The strategic options for the development of the sector are reflected in the future value chain, which is the result of consultations, surveys and analysis conducted as part of the sector strategy design process. The future perspective has two components:

- A market-related component involving identification of key markets in the short and medium-to-long terms for Myanmar exporters;
- Structural changes to the value chain that result in either strengthening of linkages or introduction of new linkages.

Realistic and measurable PoA: The definition of recommendations and strategic directions for the development of the sector is essential to guide its development, but is not enough. It is important to clearly define the actions to be implemented to stimulate growth. The development of a detailed action plan, defining which activities need to be undertaken by sector stakeholders, is necessary to the effective implementation of the strategy. An action plan, developed with the support of ITC, includes performance indicators to ensure effective monitoring and evaluation of the strategy's implementation.

INTRODUCTION

HISTORICAL OVERVIEW

Like China, Bangladesh and several South-East Asian countries, Myanmar enjoyed a garment sector boom in the 1990s, growing to approximately 400 factories and 300,000 employees by 2001.[3] The sector is an export-oriented one and during that time garment exports grew 69-fold,[4] reaching US$899 million[5] and eclipsing all other exports from the country. More than half of Myanmar's garment exports went to the United States and nearly 40% to the European Union (EU).[6]

Unlike other major garment-manufacturing countries, however, Myanmar had economic sanctions imposed on it by its top market, the United States, in 2003. This led to years of decline, during which employment dropped by over half to approximately 125,000 in 2005.[7] Myanmar firms responded by developing new markets in East Asia, in particular Japan and the Republic of Korea. Japan, with its preferential access for Myanmar's woven garments as an LDC and member of the Association of South-East Asian Nations, gave the sector new life, and today accounts for 45% of Myanmar's exports. The Republic of Korea accounts for 31%.[8]

The penetration of these two markets led to a resurgence of the sector, and exports finally exceeded the 2001 peak in 2012, when US$912 million worth of garments were exported.[9] This quick growth is expected to accelerate further with recent and anticipated political developments in major markets. The EU has granted Myanmar application of tariffs under GSP and – most significantly – the United States is expected to lift its trade embargo in 2014.

These two market factors alone will do much to stimulate the sector's growth, but the policies of the Myanmar Government will also play an important role, as they did in the 1990s. Until 1993, the sector was dominated by State-owned enterprises (SOEs) and military-related joint ventures: WFOEs were effectively prohibited. However, gradually the Government began to reduce its involvement in production, grant a larger proportion of export quotas to private firms, and permit WFOEs. By 2001, 65% of exports were from private domestic firms and 20% from WFOEs.[10]

As this strategy paper will discuss, policy-related constraints to future growth remain, which should be addressed to ensure that the current boom is not only sustained but used as a stepping stone in the evolution of the sector and the general economy. It would be imprudent to conclude from the history of Myanmar's garment sector that it could have paralleled the growth of China, Bangladesh or Viet Nam if not for United States sanctions. Policies related to import duties, labour regulations, infrastructure and finance, among others, have the potential to cap the sector's growth prematurely, as does the risky, industry-wide tendency to rely on one or two major markets – replacing the United States with Japan as the one destination for a majority or near-majority of Myanmar's garment exports.

The history of the garment sector in Asia over the last 50 years shows a number of countries starting with basic garment assembly and moving on to full production; differentiation of products including niche and high value

3. Kudo, T. (2012). How has the Myanmar garment industry evolved? In *Dynamics of the Garment Industry in Low-Income Countries: Experience of Asia and Africa (Interim Report)*, Fukunishi, ed, p.3. Institute of Developing Economies, Japan External Trade Organization.

4. *Ibid*., p. 2.

5. ITC calculations based on United Nations Comtrade statistics.

6. Kudo, T. (2012). How has the Myanmar garment industry evolved? In *Dynamics of the Garment Industry in Low-Income Countries: Experience of Asia and Africa (Interim Report)*, Fukunishi, ed, p.2. Institute of Developing Economies, Japan External Trade Organization.

7. *Ibid*., p. 7.

8. ITC calculations based on United Nations Comtrade statistics.

9. ITC calculations based on United Nations Comtrade statistics.

10. Kudo, T. (2012). How has the Myanmar garment industry evolved? In *Dynamics of the Garment Industry in Low-Income Countries: Experience of Asia and Africa (Interim Report)*, Fukunishi, ed, p.38. Institute of Developing Economies, Japan External Trade Organization.

added segments; design; and branding. Japan started this multi-decade trajectory in the 1960s, when it dominated garment assembly in international markets. It was followed in the 1970s and 1980s by Hong Kong (China), Singapore, the Republic of Korea and Chinese Taipei. The 1990s belonged most to China, but also to Bangladesh, Viet Nam, India and other South-East Asian countries. As these countries develop, their skills and technology strengthen, their garment sectors diversify and add more value, and their labour costs rise. This draws low-end manufacturing away to new low-cost locations. What is left are higher-value jobs in a more developed economy. Achieving this requires more than the low labour costs which Myanmar offers. It requires supportive public policies and complementary private sector ambitions. Myanmar should continue to develop these assets and bring them to bear in a deliberate public–private strategy for the sector's development.

Achieving this will not only benefit the firms and workers of the sector but the larger economy. Garments are not only a significant manufactured export. More than a source of revenue and jobs, the garment sector is Myanmar's first foray into manufacturing and, therefore, an important stepping stone to larger industrialization.

It should be noted that the evolution of Asia's leading garment exporters described above has not depended on strength in textile production or export. This is fortunate for Myanmar, whose textile sector is poorly positioned to compete internationally. Only 6% of domestic demand was met by domestic production in 2012,[11] and there is little expectation among sector stakeholders that textile production will grow at pace with garment production. Nor should it. Textile manufacturing is a notoriously low-margin and environmentally dirty enterprise. Myanmar's geographically dispersed textile factories (see figure 2) are not set up to support the garment factories, which are highly concentrated in Yangon, but rather to support production of longyis and other garments for the domestic market. Therefore, while this strategy does make recommendations for the strengthening of the textile sector as a link in the garment value chain, it is an export strategy and therefore focuses specifically on the high potential for garment exports. For further discussion of the rationale behind this focus, see box 2.

11. NES garment sector team.

Box 2: The rationale for Myanmar's focus on garment exports but not textile exports

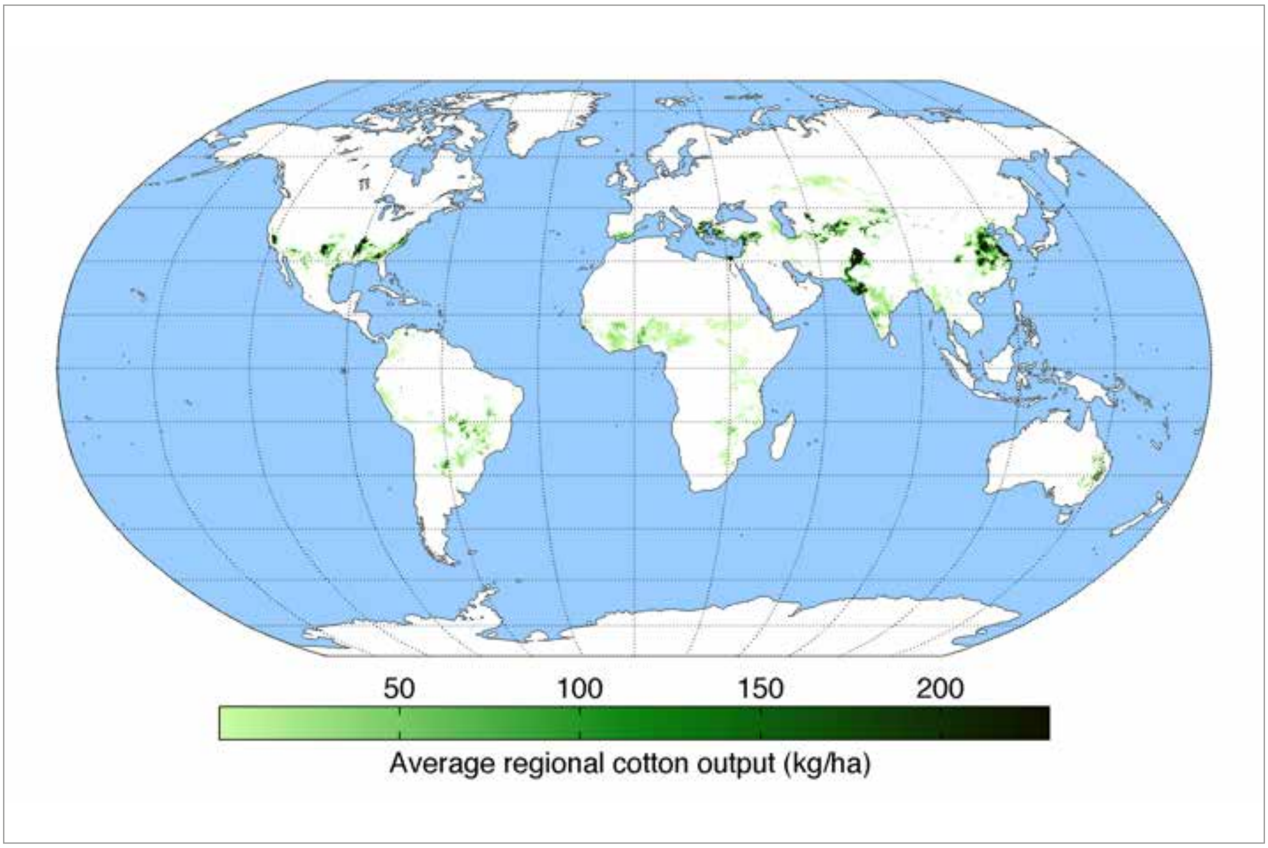
In 2012, 45% of exported garments (HS 61 and HS 62) were made of cotton,[12] making it the world's most commercially important textile by far. The low margins of the textile industry and the relatively high costs of transporting raw cotton make it most practical to transform cotton into yarn and fabric near cotton plantations. This is evident in the fact that the world's top cotton-producing countries are also the world's top producers of cotton textiles. The top four countries are China, India, the United States and Pakistan – in that order – and they account for 72% of global cotton production[13] and 55% of global exports of cotton and cotton textiles (HS 52).[14]

Countries that are not major producers of cotton or geographically close to cotton-producing regions are not likely to achieve international competitiveness in textile production. In 2013, Myanmar's domestic supply of cotton to its garment industry was barely significant at approximately 6% of the total quantity demanded,[15] with the rest being imported. While the cotton production of Myanmar's neighbours China and India is vast, it is located far from Myanmar's borders, as shown in figure 1.

Without large domestic production of cotton or the capacity to produce technically more difficult synthetic fibres, Myanmar does not possess the comparative advantage needed to become a major textile exporter. This is apparent in Myanmar's meagre US$500,000 of cotton textile exports in 2012. That amount earned Myanmar a global rank of 127 for textile exports, just ahead of the Democratic People's Republic of Korea, Malta and Suriname.[16]

12. ITC calculations based on United Nations Comtrade statistics.
13. United States Department of Agriculture.
14. ITC calculations based on United Nations Comtrade statistics.
15. NES sector team.
16. ITC calculations based on United Nations Comtrade statistics.

Figure 1: *Global concentration of cotton production*



Source: Map of cotton production (average percentage of land used for its production times average yield in each grid cell) across the world compiled by the University of Minnesota Institute on the Environment with data from: Monfreda, C., Ramankutty, N. and Foley, J.A. (2008). Farming the planet: 2. Geographic distribution of crop areas, yields, physiological types, and net primary production in the year 2000. Global Biogeochemical Cycles 22: GB1022.

WHERE WE ARE NOW

CURRENT CONTEXT

The garment sector one of Myanmar's most dynamic and is widely regarded with great anticipation as a driver of future growth in manufacturing. As rising wages in China threaten to undermine its global dominance of the garment sector, some China-based manufacturing has begun to shift towards other countries in the region. At the same time, some companies are showing wariness about operating in Bangladesh, the region's next largest low-cost competitor, due to increased reputational risk after both a building collapse and a series of factory fires and that killed thousands of garment workers.

These sector dynamics have coincided with Myanmar's major political and economic reforms and a corresponding easing of international sanctions. This has created an opportunity for the world's garment manufacturers to tap into a vast pool of low-skill labour – 33 million workers[17] – in a country with a per capita gross domestic product of a little more than US$3 per day.[18] Rapid increases in production volumes have already been seen, with exports growing almost threefold from US$349 million in 2010 to US$912 million in 2012.[19]

The MGMA projects this rate of growth to continue in the medium term, leading to a proliferation of manufacturers. In early September 2013, the sector consisted of about 280 firms, but the MGMA believes that number will need to exceed 800 by 2015, in order to meet demand.[20] Ramping up production so much so quickly is expected to require:

- A suite of policy measures to support the sector's growth, including creating dedicated industrial parks, labour legislation, targeted infrastructure, skills development and tax exemptions for inputs used in export processing;
- Availability of operating and export finance to entrepreneurs;
- A large infusion of FDI, either in WFOEs or joint ventures;
- The attraction of a very large number of workers;
- The retention of skilled labour;
- Greater private sector involvement.

In fact, a typical week sees three new factories being established, and that number was expected to increase to five from December 2013.[21] Most of the sector growth comes from private, foreign-owned factories. Republic of Korea firms are most numerous and will play an increasingly dominant role in the sector. Other major sources of FDI in the sector include China, Hong Kong (China), Chinese Taipei and Japan.[22]

The industry, which is concentrated in Yangon (estimated at 95%),[23] consists of production for the domestic market and assembly contracts for foreign buyers known as CMP. Under the CMP mode of production, buyers provide Myanmar firms with the inputs for a garment, which they then cut and assemble.

The FOB mode of garment production, in which the manufacturer purchases its own inputs and in some cases designs the garment, offers more opportunities for value retention and addition than CMP, and has been a common next step in the evolution of the garment industry in many countries. The collective strategic focus of the Myanmar garment sector is on creating the productive capacities and business environment which will enable that transition.

17. World Bank (2014,). Labor force, total. Available from http://data.worldbank.org/indicator/ SL.TLF.TOTL.IN. Accessed 19 February.

18. United Nations Statistics Division (2011). *Myanmar*. Available from http://data.un.org/CountryProfile.aspx?crName=MYANMAR.

19. International Trade Centre (2013). Trade Map Database. Available from www.trademap.org. Accessed 1 November.

20. NES garment sector team.

21. NES garment sector team.

22. NES garment sector team.

23. NES garment sector team.

Table 1: *Cotton and textile production by public firms and private firms in Myanmar*

	2012 output	Total share of public firms	Total share of private firms
Seed cotton	65 000 tons		
Lint cotton	25 000 tons	90%	10%
Spun cotton	35 000 tons	92%	8%
Woven fabric	188 million metres	57%	43%
Finished fabric	22 million metres	96%	4%

Source: Soe, A. K. (2012). Overview of Myanmar textile industries and investment opportunity for Thai investors. PowerPoint presentation. Available from www.thaitextile.org/tdc/wp-content/uploads/2011/08/Bangkok-Seminar.pdf.

PRODUCTION

In 2012, Myanmar produced approximately 66,000 tons of seed cotton, yielding 25,000 tons of lint cotton, 188 million metres of woven textiles and 22 million metres of finished woven textiles.[24] As shown in table 1, State-owned textile manufacturers are responsible for a large majority of textile production. The country produces negligible amounts of textiles from knit and artificial fibres.

In 2012, domestic textile production satisfied only 6% of the 387 million metres demanded domestically. The rest was imported. Roughly half the domestic textile output was used for longyis and other garments for the domestic market, while the other half was used in production of garment exports. Among sector stakeholders, there is little expectation that the textile sector will grow to keep pace with the garment sector. Textile factories may become more productive, and they may export more than the US$2.4 million worth exported in 2012.[25] However, as domestic garment production takes off using imported inputs, the textile sector's share of the domestic market is expected to fall further.

Chief among domestic textile companies is Textile Industries, which accounts for two thirds of the public sector's woven fabric production, operates 11 factories, and is managed by the Ministry of Industry (MoI).[26] Figure 2 shows the location of Textile Industries factories, distributed around the country at an average distance of 627 kilometres from Yangon, where 95% of garment production occurs. This demonstrates a disconnect between the domestic textile and garment sectors, with the former focused on the domestic market and the latter focused on international markets.

Over 90% of garment production is in the form of men's shirts, suits, jackets and overcoats.[27] Unlike most women's garments, these tend to have few differentiating features and come in high-volume orders, which allows Myanmar factories to produce them at high efficiency without taxing their limited capacities for production line set-up, quality assurance and shop floor management.

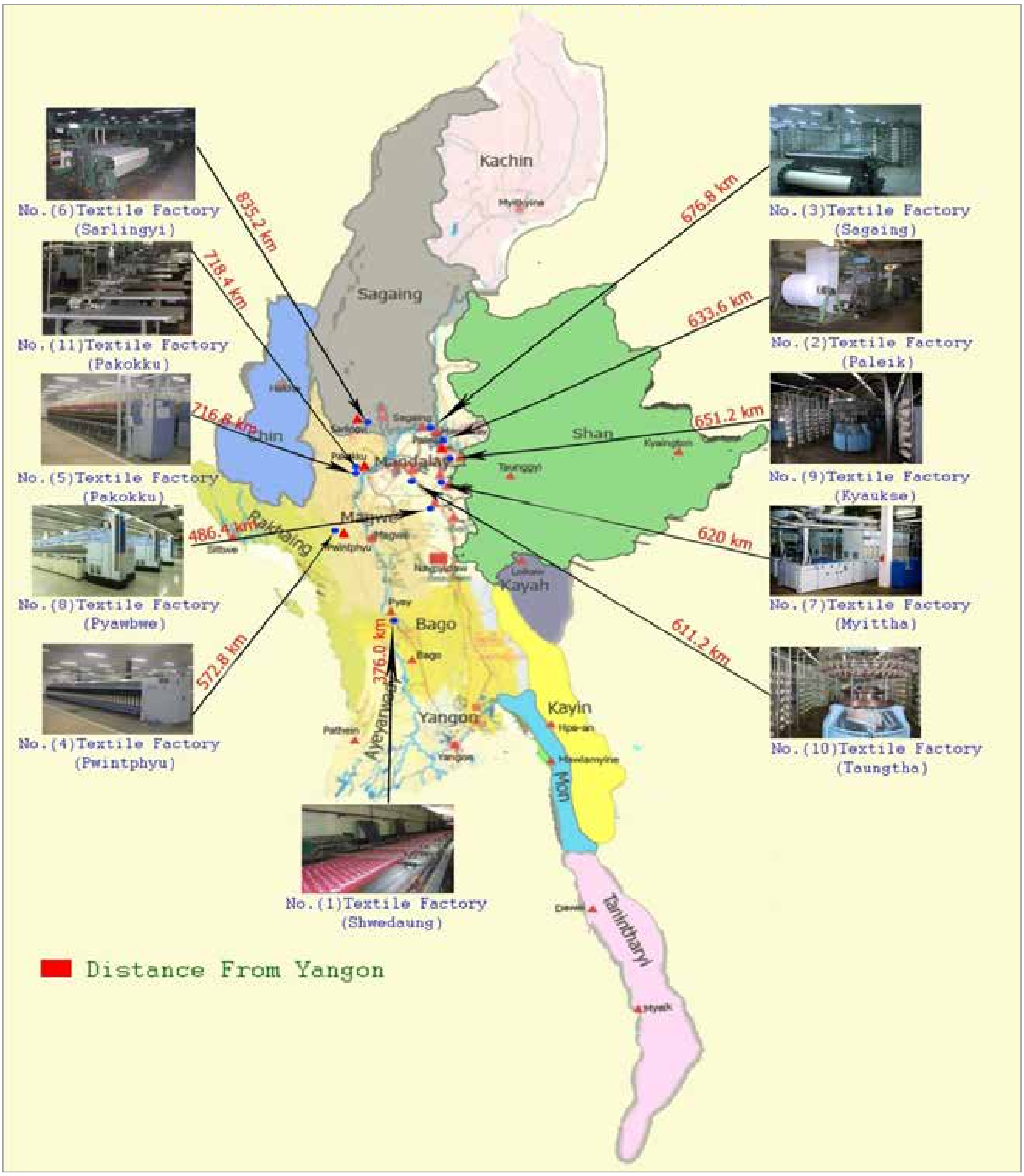
24. Soe, A. K. (2012). Overview of Myanmar textile industries and investment opportunity for Thai investors. PowerPoint presentation. Available from www.thaitextile.org/tdc/wp-content/uploads/2011/08/Bangkok-Seminar.pdf.

25. ITC calculations based on United Nations Comtrade statistics.

26. Soe, A. K. (2012). Overview of Myanmar textile industries and investment opportunity for Thai investors. PowerPoint presentation. Available from www.thaitextile.org/tdc/wp-content/uploads/2011/08/Bangkok-Seminar.pdf.

27. ITC calculations based on United Nations Comtrade statistics.

Figure 2: *Distance of Myanmar textile factories from the garment hub of Yangon*



Source: Soe, A. K. (2012). Overview of Myanmar textile industries and investment opportunity for Thai investors. PowerPoint presentation. Available from www.thaitextile.org/tdc/wp-content/uploads/2011/08/Bangkok-Seminar.pdf.

SOCIAL IMPACT

Total employment by the sector is estimated by MGMA to be 260,000 people, or about 1% of the country's total labour force, with a typical factory employing between 300 and 2,000 workers.[28] If the sector grows as anticipated over the next three years, labour demand would approach 700,000 or 800,000.[29] Significant sources for this labour are youth, rural migrants and citizens of Myanmar returning from employment in foreign garment factories. The first two categories are sources of low-wage, low-skilled labour, while returning citizens may be able to provide the country with an infusion of technical and managerial skills obtained in the more advanced garment factories of Thailand and other regional countries.

The sector is an important source of employment for women, who make up more than three quarters of the workforce, according to MGMA. This is significantly higher than the 46% share of women in the adult labour force.[30] The sector's high labour intensity and relatively low skill demand make it a feasible source of youth employment.

Typical monthly wages in the garment sector, including overtime, are US$90 per month.[31] Myanmar labour laws and sector norms make it easy for workers to leave one job for another, and with the high demand for labour in this growing sector, it has become common for workers to move after a few months or even weeks for a higher-paying job. While this situation is positive from the worker's perspective, employers find it a disincentive to train higher-skilled technicians. They instead opt to bring in foreign technicians, but are limited by immigration regulations in their number and length of stay.

VALUE CHAIN OPERATIONS

INPUT SOURCING

Labour is arguably the most important input for garment manufacturing, as the industry is highly labour-intensive and production frequently shifts internationally to lower-wage destinations. Although much of the labour is low-skill, a core of technical and managerial skills is needed. In a country such as Myanmar, with a very low manufacturing base, these skills must be quickly taught or imported. The Myanmar garment sector currently benefits from Ministry of Labour, Employment and Social Security (MoLESS) training in skills important to plant establishment and operation, including electrical, welding and supervision. More specific to garments, buyers from Japan – Myanmar's largest market for garments – typically provide technical training with first orders to ensure quality. In light of these substantial Japanese business interests in Myanmar, the Japan International Cooperation Agency (JICA), has established several technical assistance (TA) projects, alone and in cooperation with MGMA, to train Myanmar garment workers in sewing machine operation, garment manufacturing and garment factory supervision. Other trainers are commonly hired from abroad, often from China's world-leading garment industry, to build skills in computer-assisted design.

However, the primary input for textiles and garments is yarn, whether of natural or man-made fibres, for weaving, knitting, crocheting, embroidery or use as thread. Other garment components include buttons, zippers, snaps and other forms of trim; dyes; pigments; and finishes. Chemical inputs for production processes include soaps and detergents, alkalis (usually sodium hydroxide), bleaching agents (usually hydrogen peroxide) and other chemicals, depending on the fibre type and final form. Machinery and equipment includes looms, sewing machines, equipment for chemical treatments, software for design and automation, and packaging materials.

Myanmar's textile production is overwhelmingly woven cotton. This represents close to 5% of the garment sector's inputs, with all other inputs being imported, mostly from China, Thailand and the Republic of Korea. Trims such as buttons are not domestically produced in significant quantities. SOEs once produced essential chemicals and machinery, but many of these SOEs have been shut down or converted, with those that remain producing chemicals in low quantities and machinery based on outdated technology.

Inputs imported for use in CMP production of garments are tax-exempt, but the inputs for FOB production are not. This is a critical policy complaint of garment manufacturers, who see transition to FOB as a key to the sector's long-term success.

PRODUCTION AND TRANSFORMATION

Textile production primarily involves the conversion of yarns, and sometimes fibres, into fabrics by means of weaving, and sometimes knitting or crocheting. This typically also involves some combination of dyeing, printing and finishing, giving the fabric different appearances, feel, and sometimes functional characteristics (e.g. non-flammability). The exact processes vary widely depending on the product, for example, cotton, nylon, silk and felt.

Myanmar's four major textile-producing SOEs are involved in the production of woven cotton, with capabilities for basic dyeing, printing and finishing. However, a majority of machinery is more than 40 years old and bolted down

28. NES garment sector team.

29. NES garment sector team.

30. United Nations Statistics Division (2010). *The World's Women 2010: Trends and Statistics.* New York: United Nations.

31. NES garment sector team.

(according to outdated practices) in a way that prevents reconfiguration for maximum efficiency as new production patterns dictate.[32]

Garment production converts textiles, thread and trim through four main steps: design, cutting, sewing and pressing. In Myanmar's CMP production, firms receive the design and inputs from foreign buyers before cutting, sewing and pressing. According to *Encyclopaedia Britannica* there are five other processes which may be used in assembly, decoration and finishing. These are 'baking or curing, cementing, fusing, moulding, and riveting, including grommeting and nailing'. Little of this is required in the production of men's shirts, suits and coats, the products in which Myanmar firms are currently most involved. However, these capabilities will be increasingly needed if Myanmar is to eventually diversify its product lines and extend the growth of the garment sector.

Subprocesses and equipment used in the above processes vary widely depending on the product and technological sophistication, with much work able to be done either manually or automatically. As an example of subprocesses and the equipment used in them, the cutting process involves spreading material out, marking it for cutting, and cutting it. Each may use different machines, with their costs normally being proportional to their level of precision and maximum volumes. Cutting tools, for example, range from basic rotary blade machines to automated, computerized, laser-beam cutting machines.

32. NES garment sector team.

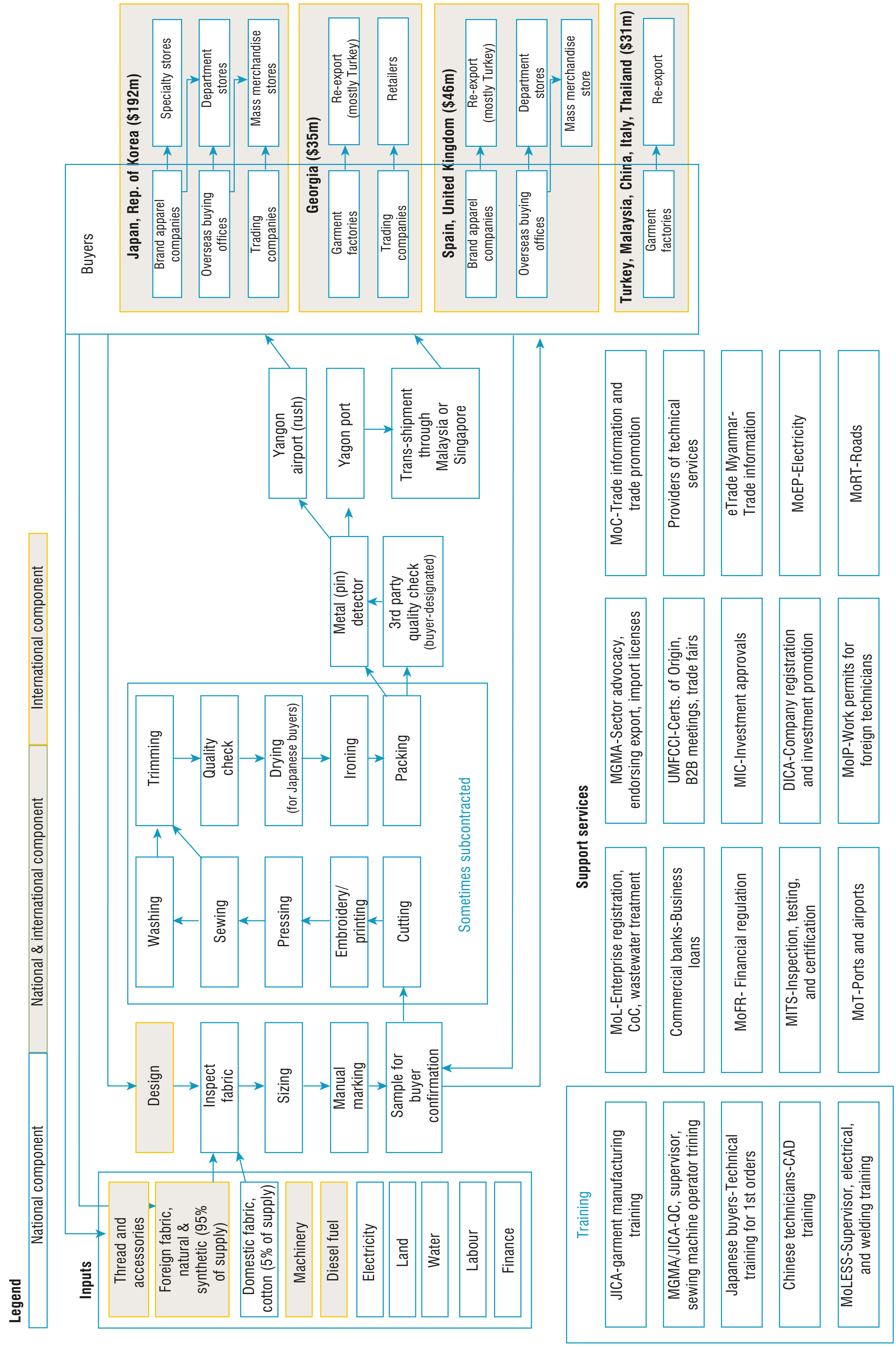
Most Myanmar firms use more manual than automated processes, citing the high expense of automated machinery and AutoCAD software licences, a lack of labour with the corresponding skills for operation and maintenance, and difficulty retaining skilled workers long enough to justify the cost of training them in-house.

DISTRIBUTION TO MARKET

The garment sector is a buyer-driven one, with large retailers, marketers and branded manufacturers driving a decentralized production network primarily located in the low-wage population centres of Asia. Myanmar's CMP factories may be subcontracted by 'factoryless' garment companies or they may sell directly to three major types of international distributors, which in turn sell to four major types of retail outlets. The international distributors are brand-name apparel companies, overseas buying offices and trading companies. The retail outlets are department stores, specialty stores, mass merchandise chains and discount chains. These retailers, in turn, sell to consumers through their stores, factory outlets, websites and mail catalogues.[33]

33. United Nations Industrial Development Organization (2003). *The Global Apparel Value Chain: What Prospects for Upgrading by Developing Countries.* Vienna: United Nations Industrial Development Organization.

Figure 3: Current value chain – garment sector



IMPORTS

In 2012, Myanmar imported US$ 1.08 billion in textiles but only US$ 86 million in finished garments. Man-made staple fibres and filaments (HS 55 and HS 54) alone made up 42% of textile imports, with cotton (HS 52) making up another 22%. At the six-digit HS level, just 20 items comprised half of the sector's imports. Shown in table 2, these represent the main inputs for garment manufacturing in Myanmar.

Table 2: *Myanmar's top 20 textile and garment imports in 2012, by value (US$ millions)*

Code	Product label	Value
Total	All textiles and garments (HS 50 to HS 63)	1 166
551219	Woven fabrics containing >= 85% polyester staple fibres by weight, dyed, made of yarn of different colours, or printed	120
540761	Woven fabric >/=85% non-textured polyester filaments	48
520852	Plain weave cotton fabric, >/=85%, >100 g/m^2 to 200 g/m^2, printed	38
520811	Plain weave cotton fabric, >/=85%, not more than 100 g/m^2, unbleached	36
540752	Woven fabrics, >/=85% of textured polyester filaments, dyed, n.e.s.	32
520514	Cotton yarn, >/=85%,single, uncombed, 192.31 >decitex>/=125, not put up	29
551614	Woven fabrics, containing >/=85% of artificial staple fibres, printed	25
540742	Woven fabrics, >/=85% of nylon / other polyamide filaments, dyed, n.e.s.	25
551331	Plain weave polyester staple fibre fabric, <85% mixed w/cot, </=170g/m^2, yarn dyed	23
560811	Made up knotted fishing nets, of man-made textile materials	22
600632	Dyed fabrics, knitted or crocheted, of synthetic fibres	22
520548	Multiple 'folded' or cabled cotton yarn >/=85% multiple combed <83.33 decitex, not retail	20
551211	Woven fabrics, containing >/=85% of polyester staple fibres, unbleached or bleached	19
630140	Blankets (other than electric) and travelling rugs, of synthetic fibres	16
520842	Plain weave cotton fabrics, >/=85%, >100 g/m^2 to 200 g/m^2, yarn dyed	16
621790	Parts of garments or of clothing accessories n.e.s., all types of textile material, not knitted	16
520839	Woven fabrics of cotton, >/=85%, not more than 200 g/m^2, dyed, n.e.s.	15
551321	Plain weave polyester staple fibre fabric, <85%, mixed w/cotton, </=170g/m^2, dyed	15
600622	Dyed cotton fabrics, knitted or crocheted	14
590320	Textile fabrics impregnated, coated, covered, or laminated with polyurethane, n.e.s.	13

Source: ITC calculations based on United Nations Comtrade statistics.

GLOBAL PERSPECTIVE

GLOBAL IMPORTS

The global textile and garment market is very large and relatively stable, representing nearly 4% of all international trade. Average annual import growth between 2008 and 2012 was a modest 3%, with the ranking of the top 20 markets remaining almost unchanged from 2008. The United States is by far the world's largest market, with its market share of 16% being more than double that of second place Germany. Compared with most internationally traded goods, the import markets for textiles and garments is rather concentrated, with the top eight markets accounting for a majority of the global market.

Table 3: *Top 25 textile and garment markets in the world*

Importers	Imported value in 2012 (US$ millions)	Share of market (%)	Importers	Imported value in 2012 (US$ millions)	Share of market (%)
World	686 803	100	Canada	13 313	1.9
United States	107 632	15.7	United Arab Emirates	12 531	1.8
Germany	49 992	7.3	Belgium	12 174	1.8
Japan	41 502	6.0	Republic of Korea	11 812	1.7
China	40 863	5.9	Turkey	11 354	1.7
United Kingdom	31 175	4.5	Mexico	9 425	1.4
France	28 122	4.1	Australia	8 243	1.2
Hong Kong, China	25 752	3.7	Indonesia	8 144	1.2
Italy	24 710	3.6	Bangladesh	7 760	1.1
Spain	17 383	2.5	Poland	7 721	1.1
Viet Nam	16 580	2.4	Switzerland	7 388	1.1
Netherlands	13 594	2.0	Austria	7 206	1.0
Russian Federation	13 477	2.0	Brazil	6 613	1.0

Source: ITC calculations based on United Nations Comtrade statistics.

GLOBAL EXPORTS

Global exports of textiles and garments are dominated by China, which accounts for a full third of the total. Table 4 shows the world's top 20 exporters. The nature of a country's exports varies widely among countries, and can be categorized as being one of three types:

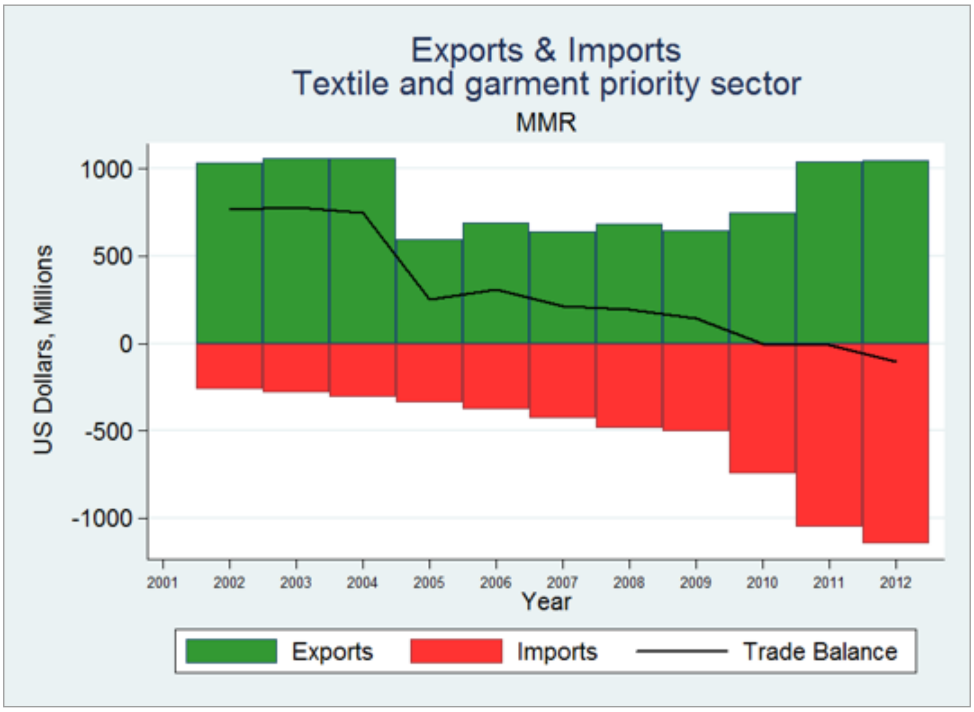
1. Manufacturers of unbranded lower-end garments at high volumes, such as China, India, Bangladesh and Viet Nam. These are the countries with which Myanmar is competing.
2. Home countries of major brands and higher-end niche manufacturing. These include Germany, Italy and the United States. To Myanmar firms, these countries represent not competition but customers.
3. A trading country with little manufacturing or value addition to garments. These include Hong Kong (China) (although it retains some higher-end manufacturing), Belgium and the Netherlands. These are countries which may offer Myanmar exporters important distribution channels for new markets in the short run, but which could be bypassed in the long run.

Table 4: *Top 20 exporting countries for textiles and garments*

Exporters	Value (US$ millions)	Exporters	Value (US$ millions)	Exporters	Value (US$ millions)
World	738 627	Turkey	25 522	Pakistan	12 927
China	246 058	Bangladesh	24 330	Netherlands	12 496
Germany	34 986	Viet Nam	19 366	Indonesia	12 467
Italy	34 015	Republic of Korea	15 382	Chinese Taipei	11 849
India	32 683	France	15 042	United Kingdom	11 588
Hong Kong, China	31 935	Belgium	14 141	Japan	9 563
United States	26 533	Spain	13 399	Thailand	7 318

Source: ITC calculations based on United Nations Comtrade statistics.

Figure 4: *Myanmar's trade balance in textiles and garments, 2001-2012*



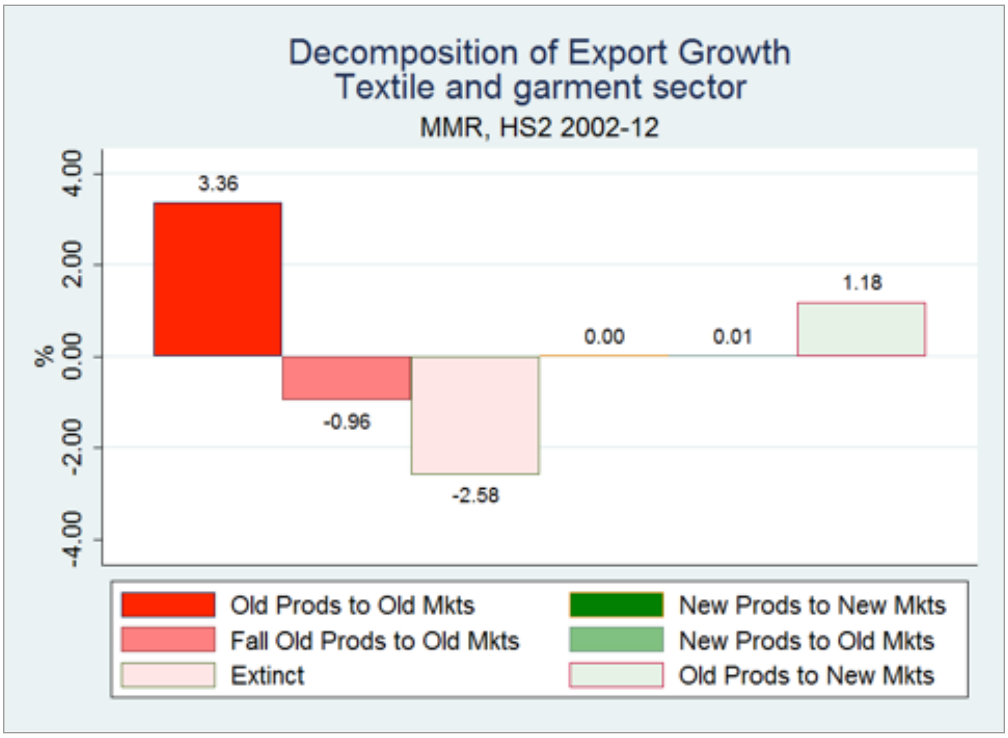
Source: ITC calculations based on United Nations Comtrade statistics.

EXPORT PERFORMANCE

In 2012, garments not knitted or crocheted (HS 62) were Myanmar's third largest export by value, behind only natural gas and timber. However, over the last decade, Myanmar's trade surplus for garments and textiles has steadily diminished, finally turning into a deficit in 2012. This reflects the fact than CMP manufacturing depends on imported inputs and the fact that Myanmar possesses little capacity to produce knit garments (HS 61) for the domestic market.

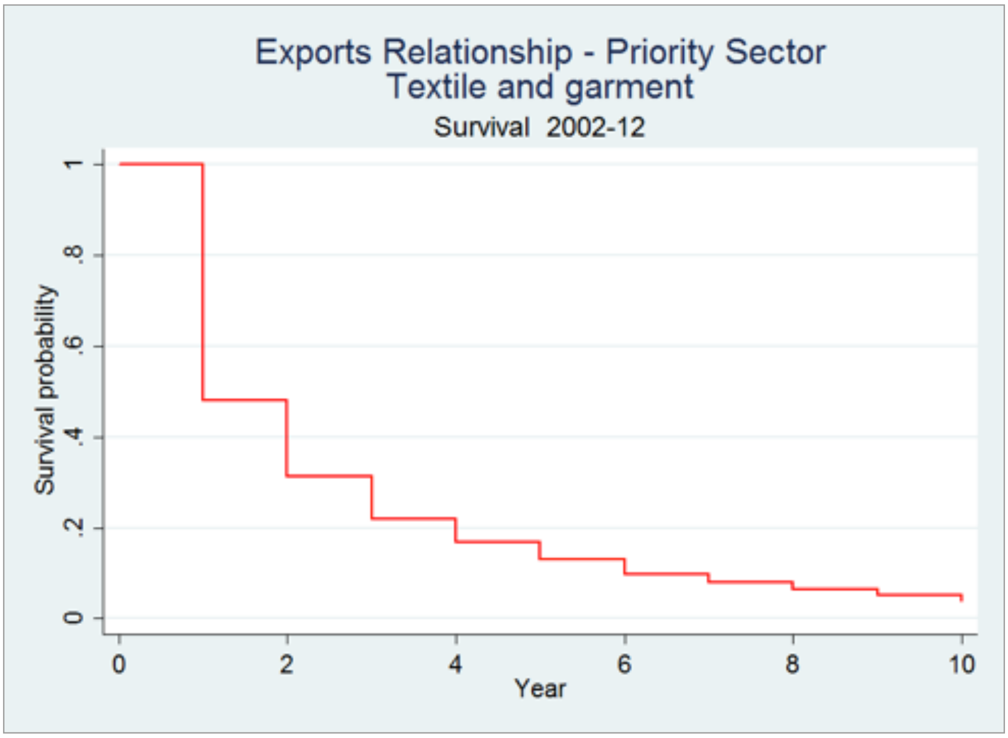
Decomposing Myanmar's export growth in textiles and garments shows that it is due virtually entirely to growth in garments and, more specifically, to growth in the exports of existing garment products to existing markets. About a quarter of export growth can be attributed to market diversification, but Myanmar's product mix has become more concentrated. New products have not been developed as old products have been dropped, leading to a concentration of Myanmar's product mix. This is the effect of booming demand and FDI from Japan and the Republic of Korea for the production of men's suits, coats, dress shirts and uniforms.

Figure 5: *Myanmar's textile and garment export growth, 2002-2012*



Source: ITC calculations based on United Nations Comtrade statistics.

Figure 6: *Longevity of Myanmar's textile and garment export relationships, 2002-2012*



Source: ITC calculations based on United Nations Comtrade statistics.

Figure 6 charts the longevity of business relationships between the sector's exporting firms and their foreign customers. At first glance, the chart seems to depict firms that are unable to maintain customers beyond one or two years. However, in this booming sector the majority of firms are only one or two years old and simply do not have a history to chart. The NES garment sector team indicates that the survival rate of business relationships in this sector is much stronger than in other NES priority sectors, and this is consistent with international trends. Supplier-driven markets for commodities, such as rice and oilseeds, see sellers chasing the highest price from country to country every year. Meanwhile, the garment sector is buyer-driven, with factories –which are frequently foreign-invested– rising up in direct response to demand from major retailers, original brand manufacturers and large-scale traders.

THE PATH TO EXPORTS

Mass market garments are a notoriously low-margin business with relatively low capital costs, making it relatively easy for companies to shift production to new countries as cost advantages arise. Myanmar's low labour costs, experience with garment production and quickly improving business environment make it a clear destination for garment orders and FDI, especially as rising costs in China and reputational risks in Bangladesh send large orders to new countries.

With Myanmar's exports equalling about 1.5% of China's, getting even 1% of China's business would nearly double Myanmar's exports. Myanmar's path to exports, at least in the next several years, lies in the targeting of more high-volume orders with little differentiation of the sort currently being produced. As production capabilities and market experience increase over time, it will become increasingly feasible for some of the quickly growing number of Myanmar firms to specialize in higher-margin products and explore other forms of value addition, such as more direct distribution channels and brand development.

PRODUCTS

Garments versus textiles: in 2012, Myanmar exported more than US$900 million in garments but only US$2.4 million in textiles. Of the garments exported, only 7% were knitted or crocheted (HS 61) and 93% were not (HS 62).

Materials: 96.4% of exports were garments of man-made fibres, 2.4% were of cotton and 1.2% were of other textiles, such as wool and silk.

Table 5: *Myanmar's garment and textile exports in 2012*

HS code	Product label	Value (US$ thousands)	Share of product in Myanmar's total exports (%)	Annual growth in value 2008-2012 (%)	Annual growth of world imports 2008-2012 (%)	Ranking in world exports
50–63	All garments and textiles	911 572	100			
62	Articles of apparel, accessories, not knit or crochet	843 282	92.5	23	3	29
61	Articles of apparel, accessories, knit or crochet	61 349	6.7	8	5	82
63	Other made textile articles, sets, worn clothing etc.	4 502	0.5	-9	6	107
53	Vegetable textile fibres n.e.s., paper yarn, woven fabric	611	0.1	-7	6	65
52	Cotton	503	0.1	96	10	127
54	Man-made filaments	438	0.05	-16	5	102
58	Special woven or tufted fabric, lace, tapestry etc.	412	0.05	50	2	90
51	Wool, animal hair, horsehair yarn and fabric thereof	119	0.01	216	4	100
56	Wadding, felt, nonwovens, yarns, twine, cordage, etc.	119	0.01	-11	5	126
59	Impregnated, coated or laminated textile fabric	98	0.01	95	5	105

HS code	Product label	Value (US$ thousands)	Share of product in Myanmar's total exports (%)	Annual growth in value 2008-2012 (%)	Annual growth of world imports 2008-2012 (%)	Ranking in world exports
60	Knitted or crocheted fabric	77	0.01	-22	6	104
50	Silk	31	0.003		-2	82
55	Man-made staple fibres	22	0.002	34	7	147
57	Carpets and other textile floor coverings	9	0.001	72	2	146

Source: ITC calculations based on United Nations Comtrade statistics.

Production methods: at the six-digit HS level, Myanmar exported only 20 garment articles in annual quantities worth US$ 10 million or more. None of these were knitted or crocheted (HS 61).

Table 6: *Myanmar's garment exports in 2012*

HS code	Product label	Value (US$ millions)	Annual growth in value 2008-2012 (%)	Annual growth of world imports 2008-2012 (%)	Ranking in world exports
Total	All garments and textiles	912	9	6	93
620193	Men's / boys anoraks and similar articles, of man-made fibres, not knitted	159	44	11	9
620293	Women's / girls anoraks & similar articles of man-made fibres, not knitted	83	42	9	10
620343	Men's / boys trousers and shorts, of synthetic fibres, not knitted	68	22	7	15
620520	Men's / boys shirts, of cotton, not knitted	63	11	6	29
620342	Men's / boys trousers and shorts, of cotton, not knitted	49	9	3	39
620530	Men's / boys shirts, of man-made fibres, not knitted	48	14	5	7
621133	Men's / boys garments n.e.s, of man-made fibres, not knitted	36	30	4	13
620213	Women's / girls overcoats & similar articles of man-made fibres, not knitted	29	20	12	14
620462	Women's / girls trousers and shorts, of cotton, not knitted	24	2	1	44
620312	Men's / boys suits, of synthetic fibres, not knitted	24	15	1	5
620463	Women's / girls trousers and shorts, of synthetic fibres, not knitted	22	15	0	32
620113	Men's / boys overcoats & similar articles of man-made fibres, not knitted	20	35	9	14
620333	Men's / boys jackets and blazers, of synthetic fibres, not knitted	16	35	10	22
621040	Men's / boys garments n.e.s, made up of impregnated, coated, covered, etc., textile woven fabric	16	57	6	22
620192	Men's / boys anoraks and similar articles, of cotton, not knitted	16	17	-2	16
620311	Men's / boys suits, of wool or fine animal hair, not knitted	14	14	-4	26

HS code	Product label	Value (US$ millions)	Annual growth in value 2008-2012 (%)	Annual growth of world imports 2008-2012 (%)	Ranking in world exports
620111	Men's / boys overcoats & similar articles of wool / fine animal hair, not knitted	14	85	6	13
621143	Women's / girls garments n.e.s, of man-made fibres, not knitted	13	16	7	22
620341	Men's / boys trousers and shorts, of wool or fine animal hair, not knitted	11	22	0	20
620292	Women's / girls anoraks and similar articles of cotton, not knitted	10	64	-6	14
621132	Men's / boys garments n.e.s, of cotton, not knitted	9	43	3	22
611030	Pullovers, cardigans and similar articles of man-made fibres, knitted	8	-7	8	59
621210	Brassieres and parts thereof, of textile materials	8	4	3	55
621050	Women's / girls garments n.e.s, of impregnated, coated, covered, etc., textile woven fabric	8	16	10	24
620212	Women's / girls overcoats and similar articles of cotton, not knitted	7	23	-3	17
621142	Women's / girls garments n.e.s, of cotton, not knitted	7	56	2	22
610910	T-shirts, singlets and other vests, of cotton, knitted	7	27	1	78
620630	Women's / girls blouses and shirts, of cotton, not knitted	6	16	-3	43
620640	Women's / girls blouses and shirts, of man-made fibres, not knitted	6	38	15	45
620433	Women's / girls jackets, of synthetic fibres, not knitted	5	7	5	35

Source: ITC calculations based on United Nations Comtrade statistics.

DESTINATION MARKETS

The Myanmar textile and garment sector is growing rapidly, and its exports are now the country's fourth most important by value. However, the sector's growth started from a very low point and its market share remains almost zero in all but one of its markets. The annual imports of the world's largest markets are each measured in the tens of billions of dollars, while Myanmar's exports to its most important destinations are measured in mere tens of millions of dollars. Table 7 lists Myanmar's largest export markets for textiles and garments.

Table 7: *Myanmar's largest export markets for textiles and garments in 2010*

Importers	Rank by market size	Value of imports from world (US$ millions)	Value of imports from Myanmar (US$ millions)	Myanmar's market share (%)
Japan	3	41 502	102	0.25
Republic of Korea	16	11 812	90	0.76
Georgia	114	228	35	15.35
Spain	9	17 383	25	0.14
United Kingdom	5	31 175	21	0.07
Turkey	17	11 354	10	0.09
Malaysia	42	2 882	7	0.24
Austria	24	7 206	7	0.10
Argentina	60	1 598	7	0.44
China	4	40 863	5	0.01
Italy	8	24 710	5	0.02
Netherlands	11	13 594	5	0.04
Thailand	30	4 942	4	0.08
Australia	19	8 243	4	0.05
South Africa	40	2 928	4	0.14
Singapore	35	3 385	2	0.06
Hong Kong, China	7	25 752	2	0.01
Poland	22	7 721	1	0.01
Brazil	25	6 613	1	0.02
Mexico	18	9 425	1	0.01
United States	1	107 632	1	0.001
Russian Federation	12	13 477	1	0.01
India	29	5 151	1	0.02
Bulgaria	57	1 814	1	0.05

Source: ITC calculations based on United Nations Comtrade statistics.

Myanmar exports more than US$10 million worth to only two of the eight markets making up the majority of the global market. Japan, the world's third largest market, imports US$102 million worth from Myanmar and the United Kingdom, the world's fifth largest market, imports US$21 million worth. In each of these markets, Myanmar's share is 0.25% or less. Myanmar's top 25 markets are characterized by one or more of the following characteristics:

- Total 2012 imports of less than US$10 billion
- Myanmar exports of less than US$5 million
- Myanmar market share between 0.001% (United States) and 0.76% (Republic of Korea).

The only market in which Myanmar has a significant market share is Georgia, where Myanmar's US$35 million in exports account for 15% of the market.

COMPETITION IN TARGET MARKETS

Myanmar's most strategically important existing markets are Japan, the Republic of Korea, Spain, the United Kingdom and Turkey. The largest markets to which Myanmar does not currently export – its potential markets – are the United States, the EU (particularly Germany, France, Italy, the Netherlands and Belgium), the Russian Federation, Canada and the United Arab Emirates.

Figure 7: *Competitors in Myanmar's existing markets*

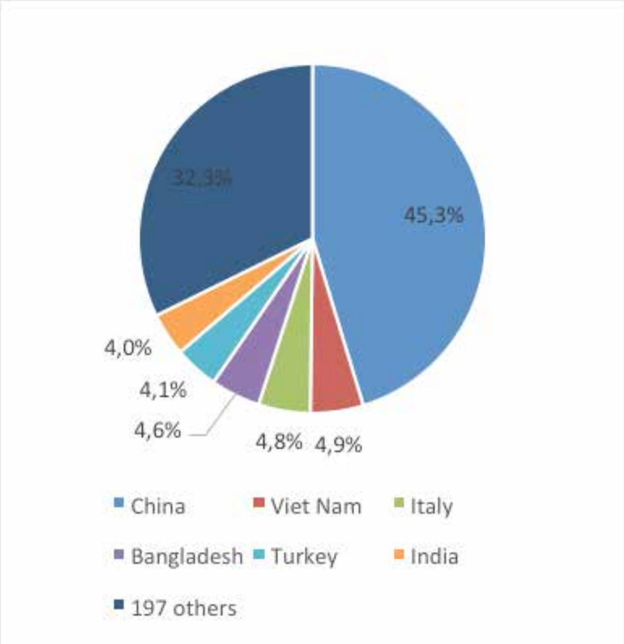
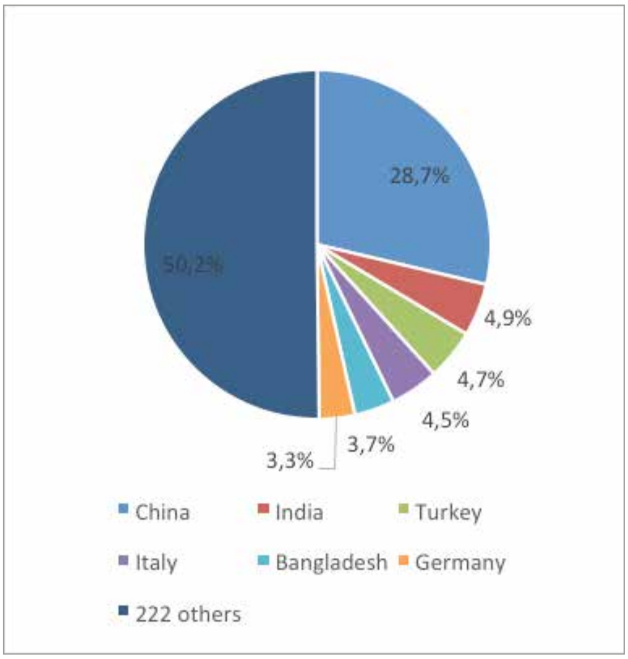


Figure 8: *Competitors in Myanmar's potential markets*



Source: ITC calculations based on United Nations Comtrade statistics.

China is by far the largest competitor in Myanmar's existing and potential markets, although to a lesser extent in the latter. China is followed by a second tier of suppliers, including Bangladesh, Viet Nam, India and Turkey, each with 3% or more of the collective markets. The remaining market share is diffuse, with 21 other countries having a share of between 1% and 3% in Myanmar's existing and/or potential market groups. Among these, Indonesia, Pakistan, Thailand, Cambodia and Sri Lanka compete against Myanmar with similar products in the same market segments.

THE INSTITUTIONAL PERSPECTIVE

TSIs have an interest in, and bearing on, the sector's export development. Broadly, the TSIs providing important services to Myanmar's garment sector can be categorized in the following support areas:

- Policy support network
- Trade services network
- Business services network
- Civil society network.

Tables 8 to 11 list the TSIs with the largest roles to play and provide an assessment of their ability to coordinate with other TSIs, the human capital and financial resources at their disposal, and their record as advocates of the sector. A score of low, medium or high is given in each of these categories, based on consultations with a wide range of private and public stakeholders.

POLICY SUPPORT NETWORK

These institutions represent ministries and competent authorities responsible for influencing or implementing policies at the national level.

Table 8: *Policy support network for the Myanmar textile and garment sector*

Name	Function / role	Coordination *	Human capital **	Financial resources ***	Advocacy ****
CMP Monitoring Committee	Government facilitation for the sector; approvals of new firms and expansions	H	H	L	H
Ministry of Immigration and Population (MoIP)	Visa extension for foreign technicians; stay permits	M	M	L	L
MoLESS	Labour affairs	M	M	L	M
Ministry of Finance and Revenue (MoFR)	Leads the development and implementation of the policies that constitute the trade finance framework	L	L	L	L
Ministry of Transport (MoT)	Planning, investment and regulation for port and airport facilities	L	L	L	L
Ministry of Railway Transport (MoRT)	Planning, investment and regulation for roads	L	L	L	L
Ministry of Electric Power (MoEP)	Planning, investment and regulation for electrification	L	L	L	L
Myanmar Investment Commission (MIC)	Licensing of foreign-invested enterprises	M	L	M	L
Directorate of Investment and Company Administration (DICA)	Company registration and investment promotion	M	M	M	M

* Coordination with other TSIs: measures the strength of this institution's linkages with other institutions as well as the beneficiaries of their services (in particular, the private sector) in terms of collaboration and information sharing.
** Human capital assessment: assesses the general level of capability of this institution's staff in terms of their training and responsiveness to sector stakeholders.
*** Financial resources assessment: assesses the financial resources / capacity available to the institution to provide service delivery in an efficient manner.
**** Advocacy: assesses the efficacy of this institution's advocacy mechanisms, and how well / frequently this institution disseminates important information to the sector.

TRADE SERVICES NETWORK

These institutions or agencies provide a wide range of trade-related services to both government and enterprises. They support and promote sectors and are concerned with the delivery of trade and export solutions within the country. They are also responsible for assessing trade information, trade finance and quality management services.

Table 9: *Trade services network for the Myanmar textile and garment sector*

Name	Function / role	Coordination	Human capital	Financial resources	Advocacy
Department of Trade Promotion, MoC	Export training, export licensing, trade facilitation, trade promotion and liberalization of national trade policies	H	H	L	M
Customs	Inspections and trade procedures	M	L	L	M
Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI)	Issues certificates of origin, arranges business to business meetings and participation in trade fairs, conducts private sector advocacy	H	H	L	H
Myanmar Customs Brokers Association	Advocacy, coordination and training for providers of Customs clearance and freight forwarding services	L	L	L	M

BUSINESS SERVICES NETWORK

These are associations, or major representatives, of commercial service providers used by exporters to effect international trade transactions.

Table 10: *Business service network for the Myanmar textile and garment sector*

Name	Function / role	Coordination	Human capital	Financial resources	Advocacy
MGMA	Endorse import / export licences, sector advocacy	H	L	L	H
MoI	Enterprise registration, Certificate of Conformance (CoC), wastewater treatment	H	M	L	M
Myanmar Inspection and Testing Services	Inspection, testing and certification	L	L	L	L
Truck associations (Container, Highway, and Mandalay)	Transportation to ports, airports and border crossings	L	L	L	L

CIVIL SOCIETY NETWORK

ANALYSIS OF THE TRADE SUPPORT NETWORK

These institutions are not explicitly engaged in the sector's trade-related activities. However, they are opinion leaders representing specific interests that have a bearing on the sector's export potential and socioeconomic development.

Table 11: *Civil society network for the Myanmar textile and garment sector*

Name	Function / role	Coordination	Human capital	Financial resources	Advocacy
Myanmar Centre for Responsible Business	Facilitation of dialogue and processes to strengthen human rights in business	M	M	M	L
eTrade Myanmar	Trade information	M	M	L	M

Overall, stakeholders rated only three institutions highly as advocates for the sector: MGMA, UMFCCI, and the CMP Monitoring Committee, all of which were set up specifically to promote the garment sector or, in the case of UMFCCI, private enterprises generally. That public stakeholders are rated low or medium for garment sector advocacy suggests a lack of adequate public support for or understanding of the garment sector and its importance to building the country's industrial base.

The same three institutions, plus the MoC Department of Trade Promotion and MoI, are rated highly for coordination. That is a good sign for the public sector's capacity to put into place the policy framework and trade services needed to support the sector.

The weakest area for the sector's TSIs, collectively, is financial resources. All but a few rate low in this area. TSIs assessed as being among the least supportive of the sector were MoIP and Customs, whose restrictions on the use of foreign technicians (MoIP) and application of import duties on garment inputs (Customs) are considered by some stakeholders to be less transparent and predictable than they should be.

OVERALL PERCEPTION OF MYANMAR'S TSIS IN THE TEXTILE AND GARMENT SECTOR – INFLUENCE VERSUS CAPABILITY

Table 12 classifies Myanmar TSIs for the textile and garment sector according to two criteria: the levels of influence they have to support the sector and their capacities to respond to the sector's needs.

Table 12: *Relative influence and support capacity of textile and garment sector TSIs*

Level of influence on the sector		Capacity of institution to respond to sector's needs: Low	Capacity of institution to respond to sector's needs: High
	High	DICA MGMA Customs MIC MoEP MoFR MoRT MoT	CMP Monitoring Committee MoC MoI MoLESS
	Low	Myanmar Customs Brokers Association Myanmar Centre for Responsible Business Myanmar Inspection and Testing Services MoIP Truck associations	eTrade Myanmarr UMFCCI

DEVELOPMENT INITIATIVES

As a country that can simultaneously be classified as: an LDC; being in a fragile or conflict-affected situation; and a transition economy, Myanmar's capacity to formulate and implement sector-wide development initiatives is low. International donors, which might help to fill this gap with TA and aid, have only recently begun to reengage with Myanmar after a long period of international sanctions. Reengagement has been fast and intense, as illustrated by a US$2 billion World Bank aid package after 27 years of no new loans.[34] However, few initiatives have yet to be fully formulated, let alone reach the implementation phase.

The Government of Myanmar does not have a private sector development plan for the garment sector. However, the garment sector is among the most liberalized in this transition economy. JICA sponsors training programmes for garment manufacturing, sewing machine operation, quality assurance and factory supervision, but there are no other sector development initiatives of major significance. Much donor focus to date has been on the country's governance, human rights and – when it comes to economics – agribusiness, which remains the country's major job-creating sector.

However, the garment sector represents the country's first major foray into manufacturing and has the potential to be an important stimulus for the country's industrialization. As such, this space is ripe for development aid.

34. (Radio Free Asia, 2014)

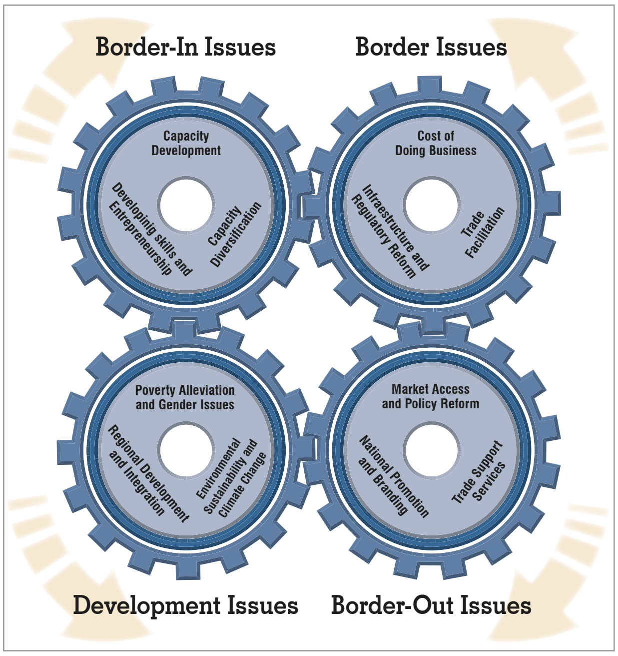
LEGAL AND LEGISLATIVE FRAMEWORK

The most significant laws for the garment sector have to do with finance, foreign investment, trade, labour and the environment. As detailed elsewhere in the present strategy and the NES cross-sector strategy for access to finance, the country's financial system is severely underdeveloped, affording garment factories very limited access to finance for start-up, operation and trade. Most loans come with a 13% interest rate and must be repaid within a year. Movable assets may not be used as collateral, and loans can only be made against a maximum of 30% of the value of collateral.

The new Foreign Investment Law of 2013 is, on paper, viewed as a significant improvement over previous law. It allows for wholly foreign-owned garment factories, which have historically been crucial to garment sector development in other countries, as well as joint ventures with domestic firms. Clear and comprehensive implementing regulations have yet to be developed, however, putting the law's effectiveness in question.

Both domestic and foreign trade regimes will be major factors in the success of Myanmar's garment sector. Domestic tariffs that favour CMP manufacturing over FOB would need to be ended. In target export markets, the decision to grant Myanmar LDC or GSP status will make a significant difference in its competitiveness. This is particularly true of the United States and EU markets.

Regulations protecting workers and the environment should also be elaborated and regularly enforced to ensure the sustainability and positive impacts of the sector. Until this is done in a transparent and predictable manner, environmental and social risks persist, as will financial risks to garment firms, which will be unable to plan accordingly.



EXPORT COMPETITIVENESS ISSUES

The export constraints analysis uses the four gears framework presented below to determine the major concerns to export development. The analysis presents the main export competitiveness constraints for the textile and garment sector. However, the assessment also explores issues limiting socioeconomic spillovers of exports to the larger society:

- **Supply-side issues** affect production capacity and include challenges in areas such as availability of appropriate skills and competencies, diversification capacity, technology, and low value addition in the sector's products.
- **The quality of the business environment** issues are constraints that influence transaction costs, such as regulatory environment, administrative procedures and documentation, infrastructure bottlenecks, certification costs, Internet access and cost of support services.
- **Market entry issues** are essentially external to the country (but may also be manifested internally), such as market access, market development, market diversification and export promotion.
- **Social and economic concerns** include poverty reduction, gender equity, youth development, environmental sustainability and regional integration.

THE BORDER-IN GEAR (SUPPLY-SIDE)

Box 3: Overview of supply-side issues for Myanmar's textile and garment sector

- The sector does not have the production capacity to meet all demand
- The highly varied products demanded by Myanmar's largest market, Japan, strain the sector's capacity to produce small, highly differentiated garment orders
- Garment firms struggle to meet buyer requirements for quality
- There is a shortage of workers with the skills needed for the sector's growth
- High worker turnover disrupts production and is a disincentive to workforce skill development
- Despite inadequate supply of domestic labour, garment firms are not allowed to bring in foreign labour as needed
- Garment manufacturers have low awareness of how to conduct FOB business, particularly input options and sources

THE SECTOR DOES NOT HAVE THE PRODUCTION CAPACITY TO MEET ALL DEMAND

The sector's machinery is too little and too old to produce the quantities demanded in the needed lead times, constraining the sector's growth. Many garment factory owners state that their technology is typically around 30 years old and that they lack even familiarity with the full range of modern technologies available in the industry. The low productivity of old machinery is compounded by low capacity for shop floor management, which is needed to optimize production processes for speed and profitability.

THE HIGHLY VARIED PRODUCTS DEMANDED BY MYANMAR'S LARGEST MARKET, JAPAN, STRAIN THE SECTOR'S CAPACITY TO PRODUCE SMALL, HIGHLY DIFFERENTIATED GARMENT ORDERS

Following the imposition of United States and EU sanctions, Myanmar garment manufacturers turned to development of the Japanese market for the high prices and high volumes of its imports. The Japanese market, together with that of the Republic of Korea, has sustained the Myanmar garment sector, but its high volume of imports comes in the form of relatively small, highly differentiated orders. Resetting assembly lines or maintaining multiple lines, as needed to fulfil these orders in a timely manner and according to stringent Japanese quality standards, benefits from technologies and shop floor management capacities that are in short supply in Myanmar. This makes it difficult for the Myanmar garment sector to grow several-fold as anticipated on the strength of existing markets, with its short-term capacities.

GARMENT FIRMS STRUGGLE TO MEET BUYER REQUIREMENTS FOR QUALITY

Garment buyers have a wide range of quality requirements, with some of the most stringent being those of Myanmar's leading Japanese buyers. Inadequately skilled labour, weak quality assurance systems and the use of inferior technologies make it difficult and costly for garment firms, especially newer ones, to comply, putting a significant constraint on growth. A lack of skill in risk management and weak access to operational financing endangers firms, as output is wasted for being non-compliant with buyer standards.

THERE IS A SHORTAGE OF WORKERS WITH THE SKILLS NEEDED FOR THE SECTOR'S GROWTH

Although the textile and garment sectors have relatively low skill requirements, there is unmet demand for workers with skills in supervisor-level management, machine operation and maintenance, shop floor management, dyeing, and general work practices consistent with private sector operations (as opposed to the SOEs which have been so central to the Myanmar economy of recent decades).

HIGH WORKER TURNOVER DISRUPTS PRODUCTION AND IS A DISINCENTIVE TO WORKFORCE SKILL DEVELOPMENT

Myanmar labour laws and sector norms make it easy for workers to leave one job for another, and with the high demand for labour in this growing sector, it has become common for workers to move after a few months or even weeks for a higher-paying job. When workers leave, it can be at very short notice and in groups, with the immediate impact being the disruption of production and delivery delays. Another important adverse effect of this is the disincentive it creates to train higher-skilled technicians.

DESPITE INADEQUATE SUPPLY OF DOMESTIC LABOUR, GARMENT FIRMS ARE NOT ALLOWED TO BRING IN FOREIGN LABOUR AS NEEDED

Many garment firms look to foreign technicians to fill their skill gaps. Worker permits are issued for numbers of workers and lengths of stay too little to permanently fill the sector's skill gaps, adding costs and procedural burdens to manufacturing operations. Permits are also limited by immigration regulations, which are designed to allow foreign technicians to stay only long enough to do short-term set-up, maintenance and training that allow skill and technology transfer to the domestic sector. However, in light of the sector's worker retention challenges, any such transfers are at risk of being quickly lost.

GARMENT MANUFACTURERS HAVE LOW AWARENESS OF HOW TO CONDUCT FOB BUSINESS, PARTICULARLY INPUT OPTIONS AND SOURCES

There is low awareness among all sector stakeholders about how to conduct FOB business. Domestic supply of textiles and accessories for exported garments is extremely low, and it is expected to fall even further as a share of the garment sector's inputs as the sector grows. Under the FOB mode of manufacturing, Myanmar garment manufacturers will need to source inputs directly from foreign suppliers. However, there is little knowledge in the sector of textile varieties, their characteristics and their foreign markets. This is a highly critical deficiency which deserves the highest priority from the sector's TSIs if the sector is going to begin its much-anticipated transition to FOB.

THE BORDER GEAR (QUALITY OF THE BUSINESS ENVIRONMENT)

Box 4: Overview of business environment issues for Myanmar's textile and garment sector

- The taxable status of FOB inputs makes it unprofitable for garment manufacturers to start their move up the value chain from tax-exempt CMP manufacturing
- Difficult access to finance puts Myanmar entrepreneurs at a competitive disadvantage relative to their foreign competitors abroad, and even relative to foreign investors operating in Myanmar
- Generally weak electricity supply and recent policies actively withdrawing electricity from industry substantially harm sector competitiveness and severely discourage foreign investors
- Cluster development is inhibited by a lack of dedicated lands of adequate size and infrastructure
- Cumbersome Government procedures decrease sector competitiveness by increasing the time and cost needed to open factories, export goods and import spare parts
- Garment factories pay high and unpredictable transportation costs for workers
- Slow, costly communication infrastructure with narrow coverage raises the costs of communicating with buyers and suppliers

THE TAXABLE STATUS OF FOB INPUTS MAKES IT UNPROFITABLE FOR GARMENT MANUFACTURERS TO START THEIR MOVE UP THE VALUE CHAIN FROM TAX-EXEMPT CMP MANUFACTURING

An estimated 95% of garment inputs are imported. When imported for CMP manufacturing (i.e. cost-free by the garment manufacturer's buyer) they are tax-exempt; however, they are taxed when imported as FOB inputs (i.e. purchased by Myanmar garment manufacturers). Extending this tax exemption to FOB inputs is the easiest, high-impact business climate reform that the Government could make to enable the sector's transition up the value chain.

DIFFICULT ACCESS TO FINANCE PUTS MYANMAR ENTREPRENEURS AT A COMPETITIVE DISADVANTAGE RELATIVE TO THEIR FOREIGN COMPETITORS ABROAD, AND EVEN RELATIVE TO FOREIGN INVESTORS OPERATING IN MYANMAR

Some productivity gains could be achieved through capacity-building in shop floor management, but sector transformation will require large capital investments in new factories and modern technologies. However, Myanmar banks typically require loans to be repaid in a year or two, do not accept movable assets as collateral, lend only up to 30% of collateral value, and charge a high annual interest of 13%. Buyer's credit is not available to textile firms importing inputs. As well, the most basic trade financing is unavailable, such as back-to-back letters of credit, which FOB garment manufacturers could use to purchase inputs with credit from the garment buyer's bank.

GENERALLY WEAK ELECTRICITY SUPPLY AND RECENT POLICIES ACTIVELY WITHDRAWING ELECTRICITY FROM INDUSTRY SUBSTANTIALLY HARM SECTOR COMPETITIVENESS AND SEVERELY DISCOURAGE FOREIGN INVESTORS

The existing electricity supply throughout the country has a reputation for being insufficient and unreliable. Recently, industrial park authorities announced that industrial parks would no longer be provided with electricity from late 2014. Rather, tenants would be expected to generate their own electricity. Industrial land-use regulations are poorly enforced, allowing speculators to take possession of scarce industrial space, further limiting available space and driving up prices.

Foreign investors, in particular, may be dissuaded from investing in a place where they are forced to invest in their own electricity generation, when easier business environments exist in other garment-manufacturing countries in the region. Public policies designed to raise the competitiveness of a sector would not ensure basic electricity supply, including measures such as lower industrial tariffs and dedicated power substations for sector-specific industrial parks.

CLUSTER DEVELOPMENT IS INHIBITED BY A LACK OF DEDICATED LANDS OF ADEQUATE SIZE AND INFRASTRUCTURE

With the rapid growth of the sector, new firms are increasingly hard-pressed to find suitable land. Wedged into unserviced plots or isolated from supporting firms, such factories nonetheless pay up to US$65–US$70 per square metre to be in Yangon, where the sector is currently concentrated. Even those firms which are located in industrial parks do not enjoy the typical benefits of industrial parks: electricity, waste management services and access roads.

Firms in the textile and garment sector estimate 500 fully serviced acres as the industrial park size needed to accommodate a fully developed cluster, with room for all the sector's support industries, training centres and warehouses, providing essential economies of scale for the public and private providers of critical infrastructure, such as electricity, waste management and access roads. Without Government policies prioritizing the sector's growth, it is difficult to see how the number of factories needed to satisfy booming demand can be accommodated.

CUMBERSOME GOVERNMENT PROCEDURES DECREASE SECTOR COMPETITIVENESS BY INCREASING THE TIME AND COST NEEDED TO OPEN FACTORIES, EXPORT GOODS AND IMPORT SPARE PARTS

Although DICA has been advertised as a one-stop shop for opening a factory, it primarily offers information and has not been delegated the authority to give the various endorsements an investor needs for company start-up. Rather, investors must obtain these endorsements from eight different Government offices. This has made opening a business a five-to-six-month process.

Similarly, export procedures can be unpredictable and redundant, unnecessarily raising the cost, time and risk of exporting. Requirements for three forwarder's bills of lading on one shipment is an example. Also, a lack of competition and a shortage of shipping yard space lead to high handling charges at ports.

Regarding imports, proof that a machine spare part is not available domestically must be provided to get an import licence. This can entail shutting a machine down and partially disassembling it, diminishing the firm's output, idling production capacity, and impairing the firm's ability to meet commitments to customers.

GARMENT FACTORIES PAY HIGH AND UNPREDICTABLE TRANSPORTATION COSTS FOR WORKERS

It is customary for garment factories to pay the cost of worker transportation. The diffuse locations of factories within Yangon can make this administratively burdensome and quite costly, with costs apt to vary greatly from month to month with worker turnover being quite high. Sector-dedicated industrial parks could be planned and built to encourage the construction of worker housing, schools, markets, hospitals and other services nearby. This would decrease the transportation cost to employers and transportation time for workers, while making it easier both for employers to hire new workers quickly and for workers to find new jobs quickly.

SLOW, COSTLY COMMUNICATION INFRASTRUCTURE WITH NARROW COVERAGE RAISES THE COSTS OF COMMUNICATING WITH BUYERS AND SUPPLIERS

The Government's infrastructure plans place a low priority on industrial zones. Wired and wireless telephone networks are weak and do not reach many industrial zones. This severely inhibits the ability of garment factories to do business with existing customers, new customers, and the foreign suppliers they will need to establish relationships with if they are to transition to FOB manufacturing.

THE BORDER-OUT GEAR (MARKET ENTRY)

Box 5: Overview of market entry issues for Myanmar's textile and garment sector

- Yangon does not have a deep-sea port, presenting a bottleneck to exports
- High logistics costs for exporting reduce the international competitiveness of garment exporters
- TSI support for the sector is not robust enough, leaving too much intelligence collection and international marketing to individual firms
- Certain high bilateral tariffs disadvantage Myamnar's garment exports in strategically important markets

YANGON DOES NOT HAVE A DEEP-SEA PORT, PRESENTING A BOTTLENECK TO EXPORTS

Yangon, where an estimated 95% of the garment sector is concentrated, is disadvantaged by the lack of a deep-sea port nearby. It can take up to two days to navigate the river leading from Yangon to the open sea, with the need to wait for high tide and navigation of sand bars. This presents a severe bottleneck to the large volumes that the sector expects to export and reduces sector competitiveness by substantially adding to transportation time and cost.

HIGH LOGISTICS COSTS FOR EXPORTING REDUCE THE INTERNATIONAL COMPETITIVENESS OF GARMENT EXPORTERS

Few companies provide logistics services at international ports, and Mingalardon Cargo Services has a monopoly at the airport. They are not subject to regular competitive tendering against other companies. This lack of competition has created a situation of inadequate warehouse space, inefficient services and internationally uncompetitive prices. These include extra charges for early overnight loading, driver charges for choosing a container, a less-than-container load fee that averages US$350, and warehousing charges of US$50 per kilogram. Furthermore, freight forwarders may use multiple lines to handle single shipments, leading to the unpredictable application of multiple release fees and delivery charges, severely affecting profitability. These firms are not adequately regulated, and many of these prices are not fixed and are also undocumented, which leads to accounting difficulties for importing garment firms.

TSI SUPPORT FOR THE SECTOR IS NOT ROBUST ENOUGH, LEAVING TOO MUCH INTELLIGENCE COLLECTION AND INTERNATIONAL MARKETING TO INDIVIDUAL FIRMS

Although generally considered by sector stakeholders to be well-coordinated advocates for the sector, the sector's TSIs could do better at collecting actionable market intelligence and putting it in the hands of garment manufacturers that can make use of it. The limited capacity of MoC and MGMA to do this means that garment firms have to develop these assets individually. This unnecessarily duplicates efforts and results in many firms not being able to penetrate new markets. The TSIs could also be more proactive in promoting the sector abroad. MoC, MGMA and UMFCCI do not collaborate enough to organize meaningful participation by sector firms in trade exhibitions abroad.

The services which the sector TSIs do provide could be delivered more effectively. TSIs make little information and assistance available to firms online. The additional cost and time needed to obtain TSI services discourages many firms from seeking them out. When firms do make the effort to seek out assistance, such assistance tends to be delivered with poor customer service. As TSIs improve the substance of their support to the sector, they will also need to improve distribution channels and customer service to ensure that their efforts reach target consumers and are not wasted.

CERTAIN HIGH BILATERAL TARIFFS DISADVANTAGE MYANMAR'S GARMENT EXPORTS IN STRATEGICALLY IMPORTANT MARKETS

United States sanctions against Myanmar continue to restrict the ability of Myanmar firms to market garments in the United States, although there is a widely held expectation that these sanctions will be eased. If successful, efforts by the Myanmar Government to secure this easing of sanctions would drastically increase market potential for Myanmar's garments, as the United States is by far the world's largest national market.

Myanmar's largest existing market for garments is Japan, and Myanmar's advantage there is dependent on preferential tariff rates it enjoys as an LDC. However, Myanmar is not afforded the same advantages for knit products when the constituent fabric is imported from China. In fact, nearly all of Myanmar's garment exports are woven and not knitted. Preferential tariffs for knit products, secured through bilateral trade agreements, are one factor which could help make Myanmar competitive enough to participate fully in the US$206 billion[35] international market for knit garments.

DEVELOPMENT GEAR

Box 6: Overview of development issues for Myanmar's textile and garment sector

- Environmentally and socially responsible practices are not an integral part of doing business in the sector, threatening negative social impacts and ineligibility to supply socially concerned buyers
- The sector's smoke-filled work environments pose a health hazard to workers
- Although providing employment opportunities to vulnerable populations, the sector presents them with some additional risks and little room for advancement
- Government inspection of wastewater at garment firms is not sufficiently effective

35. Value of global imports for HS 61 in 2013, according to ITC calculations based on United Nations Comtrade statistics.

ENVIRONMENTALLY AND SOCIALLY RESPONSIBLE PRACTICES ARE NOT AN INTEGRAL PART OF DOING BUSINESS IN THE SECTOR, THREATENING NEGATIVE SOCIAL IMPACTS AND INELIGIBILITY TO SUPPLY SOCIALLY CONCERNED BUYERS

Few Myanmar factories are certified under (or aware of) the EU's Business Social Compliance Initiative (BSCI) or the United States Worldwide Responsible Accredited Production (WRAP). Factory workers frequently exceed the maximum number of working hours allowed per week and are sometimes subjected to unhealthy breathing environments. Machinery used is often technologically outmoded and environmentally dirty. Obtaining BSCI and WRAP certifications can be useful in accessing European and North American markets, which are increasingly conscious of the negative environmental and social spillovers of textile and garment production, as well as in ensuring a healthy and happy workforce. Moreover, as Myanmar garments represent the country's only major manufactured good, the sector's environmental and social practices will set important precedents for the country as its economy grows.

THE SECTOR'S SMOKE-FILLED WORK ENVIRONMENTS POSE A HEALTH HAZARD TO WORKERS

The air in many big textile and garment factories is badly contaminated by wood- and coal-burning boilers, making it unsuitable for breathing over prolonged periods of time. As a whole, the sector's factories do not provide adequate boiler exhaust, ventilation systems, protective breathing equipment or policies to limit individual exposure.

ALTHOUGH PROVIDING EMPLOYMENT OPPORTUNITIES TO VULNERABLE POPULATIONS, THE SECTOR PRESENTS THEM WITH SOME ADDITIONAL RISKS AND LITTLE ROOM FOR ADVANCEMENT

Opportunities for upward mobility, including advanced skills and higher pay, are very limited in low-end garment manufacturing. Although it offers employment opportunities to youth, women and rural migrants that might not otherwise find employment, these populations remain vulnerable in the short term because of the occupational hazards which come with a low-paying, fast-growing, loosely regulated industrial sector. In the long term, as Myanmar grows and diversifies into a wider range of manufacturing sectors, these populations may find that the textiles and garments sector, which is relatively footloose, has begun to shrink in Myanmar and that they are without skills that are easily transferred to other sectors.

GOVERNMENT INSPECTION OF WASTEWATER AT GARMENT FIRMS IS NOT SUFFICIENTLY EFFECTIVE

The high expense of cleaning wastewater effluent enough to release it into the environment discourages many firms from wholly embracing that responsibility, and Government regulation of wastewater is too lax to ensure that they do. Having too few inspectors to cover this booming industry, the Government tests wastewater that is collected and submitted by textile and garment firms themselves. This honour system is not effective for protecting the environment.

WHERE WE WANT TO GO

VISION

The sector is solidly on a path of growth, but the full extent of that growth and its benefits for Myanmar enterprises and labourers will depend greatly on the coordination of public and private stakeholders regarding sector regulation, infrastructure development, human capital and trade promotion. This will decide how much of the sector's growth will be in CMP or FOB, knitted or not knitted, and in accordance with international labour and environmental standards or not. The following is the sector vision, as articulated by sector stakeholders.

> "Job creation and economic development through environmentally sustainable export growth in the textile and garment sector."

To achieve this vision the strategy will reduce the binding constraints on trade competitiveness and capitalize on strategic options identified for the Myanmar textile and garment sector. The strategic orientations for the next five years aim at developing key markets in the short and medium terms for Myanmar exporters, and facilitating structural changes in the value chain to increase its efficiency and value generation.

STRATEGIC ORIENTATIONS

The strategic orientation for Myanmar's garment sector over the next five years can be put into five categories, which can be pursued in roughly the following order:

1. **Production mode:** The transition from the CMP mode of manufacturing to the FOB mode, for greater profitability.
2. **Volume:** The ramping up of production volume for the current portfolio of exported products, for sector growth and higher firm revenues.
3. **Quality:** Establishment of industry-wide quality standards and their attainment by a large majority of the sector's firms, for higher margins and access to more markets.
4. **Knit products:** Development of capacity for production of knit garments, for access to more markets and value chain development.
5. **Design:** Development of design capacity, for higher margins and value chain development.

Although there will be substantial chronological overlap, the above strategic orientations correspond roughly to phases in the development of the sector, with production mode being the immediate concern of the sector's stakeholders and design capacity being a later step towards the eventual evolution of the sector away from subcontracting and towards original design manufacturing.

PRODUCTION MODE

The overwhelming strategic focus of Myanmar garment firms over the next five years is to transition the sector from the CMP mode of manufacturing to the FOB mode. Under FOB, Myanmar garment manufacturers will procure their own inputs from international vendors to fulfil their export orders, instead of assembling buyer-owned inputs for re-export as they do now. The primary obstacles to this transition are the lack of duty exemptions on FOB inputs (like the ones currently enjoyed by CMP inputs) and relationships with competitive sources of quality inputs, both of which can be facilitated by the Myanmar Government.

VOLUME

About one new garment factory is being established in Myanmar each week to keep up with international demand for Myanmar's exports of men's shirts, men's suits, men's jackets and coats (down, padded, windbreakers), men's pants, work uniforms and fleeces.

Sector stakeholders forecast the level of demand rising high enough to sustain 500 more factories by late 2015. That requires about one more factory to open each day. Ramping the sector up so quickly requires streamlined Government procedures; fully serviced factory space such as that which could be efficiently provided in dedicated industrial parks; long-term financing on supportive terms; and training capacity for 100,000 new workers. The Myanmar Government has a leading role in the provision of all these conditions, and MGMA can collaborate with the Government to provide the necessary training.

KNIT PRODUCTS

Myanmar's exports are almost entirely concentrated in products of synthetic fibres that are not knitted; however, 51% of the global garment market's value (US$402 billion[36]) comes from products that are knitted. This represents a vast market in which Myanmar's garment exporters do not participate, although they are well poised to participate with some additional capacity. Sector stakeholders see the greatest potential for entry into the knit market with the six products in table 13.

36. Value of global imports for garments (HS 61 and HS 62) in 2013, according to ITC calculations based on United Nations Comtrade statistics.

Table 13: *Knit garments targeted for growth in the next five years*

Products	Myanmar's 2012 export value (US$ millions)	Material
Sweaters, especially cardigans	8	Synthetic
T-shirts	7	Cotton
Blouses	4	Synthetic
Ladies' pants	4	Synthetic
Ladies' jackets and coats	4	Synthetic
Men's polo shirts	2	Cotton
Boxer shorts and men's briefs	1	Cotton

The primary constraint to the sector's development of knit capacity lies with the machinery, skills, and experience and market relationships of the firms in the sector. MGMA, the MoC Department of Trade Promotion and international donors with a garment focus can support the development of this capacity.

MARKET IDENTIFICATION

Myanmar's most important garment markets today are two countries in East Asia (Japan and the Republic of Korea) and three in Western Europe (Germany, the United Kingdom and Spain). These five countries account for 30% of the global market, each with a wide range of market segments from low-margin mass market to high-end fashion and assorted high-margin niches. This makes the five countries important markets for Myanmar to continue developing.

The most important market left for Myanmar to penetrate is the United States market, which alone accounts for 20% of global garment imports. The United States sanctions regime currently in place against Myanmar prohibits the export or re-export of financial services. The letters of credit typically issued by a garment buyer's bank could be interpreted as an exported financial service, discouraging United States buyers from doing business with Myanmar garment exporters. The anticipated lifting of United States sanctions will free importers to buy from Myanmar, but the lifting of sanctions alone does not ensure Myanmar's competitiveness. The Myanmar Government should negotiate with the United States Government to have its garments classified under the preferential GSP or LDC tariff regimes.

Additionally, Myanmar garment manufacturers should seek to expand their markets by targeting those with the following characteristics:

- Trading centres that act as multipliers by re-exporting Myanmar garments and introducing them to a broader set of markets.
- Countries that border existing markets (or other target markets), conceivably sharing distribution channels and allowing cost-efficient marketing trips to a single region by Myanmar business people and trade promoters.
- Major trading partners for Myanmar that do not import substantial volumes of garments, taking advantage of market knowledge and experience already in Myanmar.
- Countries that share common languages with existing markets (or other target markets), taking advantage of existing linguistic and cultural experience among Myanmar's marketers.

Nine countries meet three or more of these criteria: France, Italy, Hong Kong (China), the Netherlands, Canada, the Russian Federation, Belgium, Switzerland and Austria. All but Hong Kong (China) (major trading partner) and Canada (bordering the market-leading United States) are in the compact geographic region of Western Europe. Collectively, these account for an additional 25% of the global market. By successfully penetrating these nine and the United States, Myanmar would be participating in countries that account for 75% of the global market.

SHORT TERM (0–3 YEARS)

Target markets:

- Trading companies, brand apparel companies and overseas buying offices in Japan and the Republic of Korea
- Brand apparel companies and overseas buying offices in Germany, the United Kingdom, Spain and the United States
- Trading companies in Hong Kong (China), the Netherlands and Belgium.

Most immediately, the private sector's focus will be on building export volume of existing products to existing markets. It will do this through three types of markets: existing markets, the 'megamarket' of the United States, and the major re-exporting markets of Hong Kong (China), the Netherlands and Belgium, which will help to raise awareness of Myanmar garments in a wider range of companies.

Existing markets include Japan (work uniforms, men's dress shirts and men's suits), the Republic of Korea (jackets adn men's fashion shirts), Germany (men's pants, jackets and shirts) and the United Kingdom (men's pants). The products for the United States in this time frame are mostly expected to be the knit products of T-shirts, underwear and sports shirts. At the same time, capacity for knit production should be increased, allowing greater production of T-shirts, polo shirts and men's underwear for sale in the newly opened United States market.

During this period, the transition from CMP to FOB and the establishment of industry-wide quality standards should take place, pending action by the Government on FOB tariff regulations and by MGMA on setting quality standards. When these two developments occur, the sector will be in a better position to take advantage of original manufacturing opportunities (a step up from simple FOB manufacturing to fulfil contracts from retailers and brand owners) in the medium-to-long term.

MEDIUM-TO-LONG TERM (3+ YEARS)

Target markets:

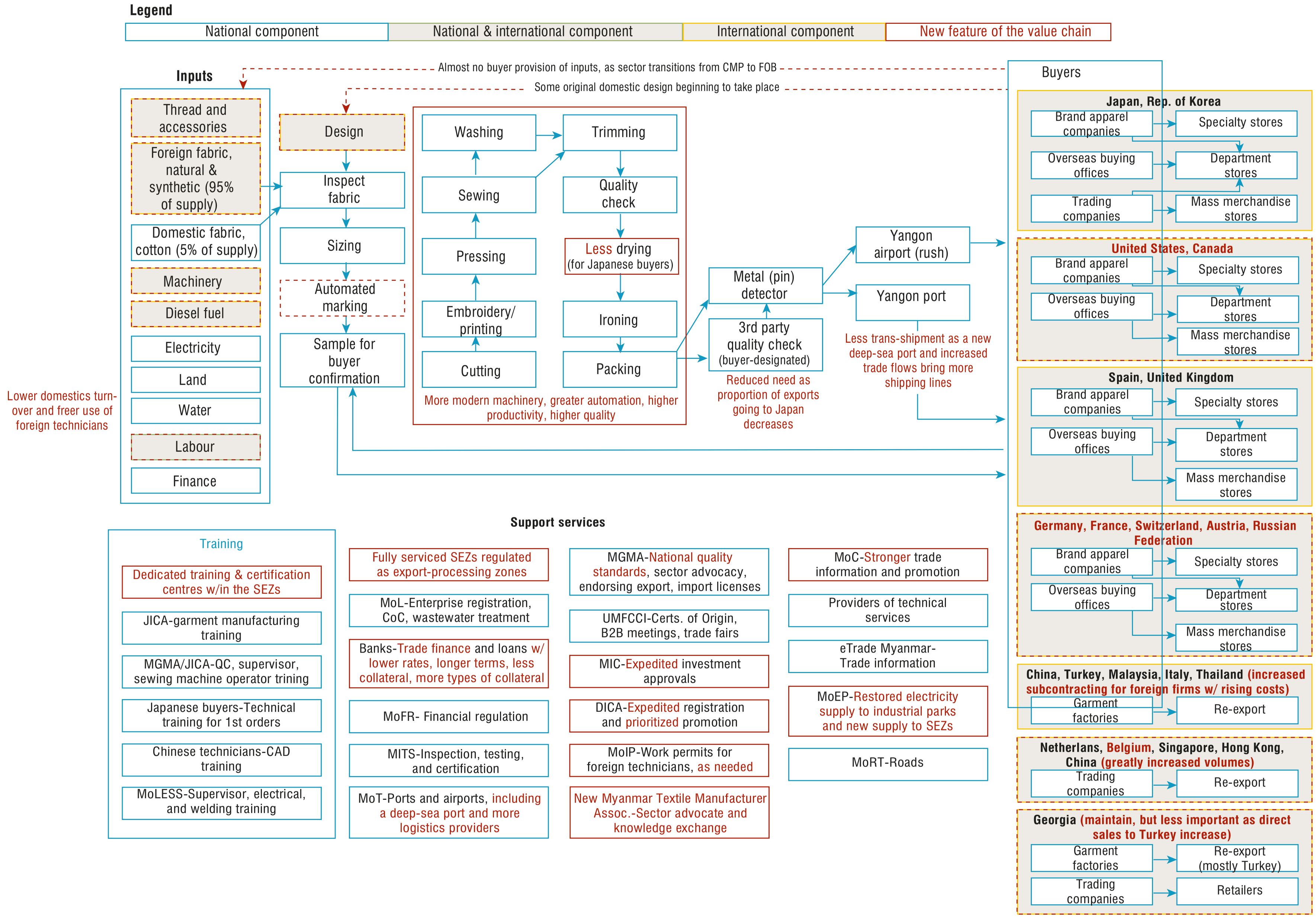
- Brand apparel companies and overseas buying offices in France, Switzerland and Canada
- Garment factories in China, Turkey, Malaysia, Thailand and Italy.

Capitalizing on the emerging markets and distribution channels revealed in the short term by export experience to the Netherlands and Belgium, Myanmar exporters should begin this phase by exporting directly to the leading prospects among France, Italy, Switzerland and Austria. Canada would also be added.

In the same time frame, it is expected that the subcontracting of garment assembly by factories in China, Turkey, Malaysia and Thailand will increase to countries such as Myanmar, as upward price pressures in these former low-cost production centres lead them to outsource more and more aspects of their production. Similarly, as Myanmar's capabilities increase, it may compete for higher-end outsourcing from Italy.

As for the product focus, those of the short term should be maintained, with the following products – both knitted and not – being added: cardigans, ladies' jackets and coats, ladies' pants, and blouses. Original design capacity and marketing relationships should also be sufficient in this phase to begin transitioning some manufacturers from FOB to original design.

Figure 9: *Future value chain – garment sector*



Box 7: Overview of structural changes to the textile and garment sector in Myanmar

- Increase output, efficiency and profitability with garment-focused export-processing zones that are fully serviced and serve as growth poles for worker populations and support services
- Expedite a short-term tripling of sector size with improved access to finance and streamlined Government procedures for firm start-up
- Increase sector sophistication and profitability as garment firms begin purchasing inputs directly, as opposed to having them provided by garment buyers (i.e. transition from the CMP to the FOB mode of manufacturing)
- Build new reservoirs of labour skills through greater retention of domestic workers, freer use of foreign technicians, and full-fledged training and certification centres in garment Special Economic Zones (SEZs)
- Strengthen lead time reliability, reduce production costs and decrease financial risk by providing garment clusters with dedicated electrical substations and industrial tariffs
- Increase buyer satisfaction and manufacturer profitability with less trans-shipment of garments
- Diversify the Myanmar garment sector and move it up the value chain with capacities for knit and for design
- Improve the environmental and social impacts of the sector and link exporters to additional, higher-value markets by ensuring that the sector grows in compliance with the standards embodied by BSCI, WRAP, Occupational Health & Safety Advisory Services (OHSAS) 18001, International Organization for Standardization (ISO) 14000, and the like

STRUCTURAL IMPROVEMENTS TO THE VALUE CHAIN

The future value chain as envisioned by the present sector strategy includes several structural improvements to the value chain. Collectively, they should enable the sector to reduce costs, build skills, reduce lead times, reduce risk and move up the global garment value chain.

INCREASE OUTPUT, EFFICIENCY AND PROFITABILITY WITH GARMENT-FOCUSED EXPORT-PROCESSING ZONES THAT ARE FULLY SERVICED AND SERVE AS GROWTH POLES FOR WORKER POPULATIONS AND SUPPORT SERVICES

Garment factories are currently dispersed, making it difficult to provide the sector with the infrastructure support it needs cost-effectively. Setting aside two to three industrial plots of land of about 4,000 acres each would give the sector a place to grow, supporting industries to cluster and worker populations to reside. Scarce electricity could be directed here or centrally generated. Likewise, training centres, water, water treatment facilities and access roads could be efficiently provided.

Designating the areas as export-processing zones (with tax exemptions for FOB inputs) and assigning them Customs offices would allow the sector to efficiently transition from CMP manufacturing to FOB. Industrial concentration of this sort will also be essential for the sector to add an estimated half million workers in the next three years, while keeping their (employer-paid) transportation costs manageable and avoiding commercially stifling traffic.

EXPEDITE A SHORT-TERM TRIPLING OF SECTOR SIZE WITH IMPROVED ACCESS TO FINANCE AND STREAMLINED GOVERNMENT PROCEDURES FOR FIRM START-UP

Tripling sector size in three to four years will require a very large infusion of investment. Much of this will come from foreign firms, and domestic entrepreneurs need competitive access to financing if they are to benefit fully from the sector's dynamic growth. Any number of adjustments to financial regulations or the lending policies of publicly owned banks could greatly enhance sector competitiveness. These include broad issuance of back-to-back letters of credit; allowing movable assets to be used as collateral; lending against a higher percentage of collateral value than the current 30%; extending repayment terms beyond the current norm of one year; and lowering the standard interest rate of 13%.

The Government would also establish an interministerial working group to map out the various procedures, times and costs involved in starting a garment firm, with the objective of identifying steps which can be consolidated, eliminated and expedited. Myanmar is ranked by the World Bank Group's *Doing Business* report as the hardest place in the world to start a business – out of the 189 countries and territories assessed – indicating a tremendous bottleneck and threat to the level of growth anticipated.

INCREASE SECTOR SOPHISTICATION AND PROFITABILITY AS GARMENT FIRMS BEGIN PURCHASING INPUTS DIRECTLY, AS OPPOSED TO HAVING THEM PROVIDED BY GARMENT BUYERS (I.E. TRANSITION FROM THE CMP TO THE FOB MODE OF MANUFACTURING)

Led by MGMA and garment specialists at the MoC Department of Trade Promotion, foreign suppliers of fabric, accessories and other garment inputs will be mapped, along with rough guides to input characteristics and prices. This knowledge, the availability of back-to-back letters of credit, and a tax exemption on FOB inputs (i.e. garment inputs destined for assembly and export) will allow garment firms to transition from CMP manufacturing to FOB. This has been a standard step in the evolution of a country's garment sector, and it is expected that the control which it provides over the value chain will lead to greater profits.

BUILD NEW RESERVOIRS OF LABOUR SKILLS THROUGH GREATER RETENTION OF DOMESTIC WORKERS, FREER USE OF FOREIGN TECHNICIANS, AND FULL-FLEDGED TRAINING AND CERTIFICATION CENTRES IN GARMENT SEZS

With regulations for the trained worker retention clause of the Employment and Skill Development Law being articulated and enforced, garment manufacturers will have renewed incentive to invest in worker training. The sector will have a realistic chance of adding the half million workers needed to grow the sector over the next three to four years, with foreign technicians being allowed to work in the country as long as factory owners deem them to be necessary and financially worthwhile – they are more expensive than domestic labour with the right skills would be. The garment training centres being included as an essential part of support infrastructure to the proposed SEZs will be another essential force in the sector's skill build-up.

STRENGTHEN LEAD TIME RELIABILITY, REDUCE PRODUCTION COSTS AND DECREASE FINANCIAL RISK BY PROVIDING GARMENT CLUSTERS WITH DEDICATED ELECTRICAL SUBSTATIONS AND INDUSTRIAL TARIFFS

Dedicated electricity supply to the proposed SEZs and a reversal of the recent policy to end supply to the industrial parks where many garment factories are located, together with the provision of internationally competitive industrial tariffs for electricity, will allow garment firms to end reliance on diesel generators and give them a low-cost supply of an input that is essential to their competitiveness. Another important effect will be to reduce disruptions to production, which lengthen lead times and reduce output, thereby threatening credibility with buyers and undermining competitiveness.

INCREASE BUYER SATISFACTION AND MANUFACTURER PROFITABILITY WITH LESS TRANS-SHIPMENT OF GARMENTS

A new deep-sea port and a rapid increase in the country's overall exports should lead to an increase in direct shipping lines, reducing time-consuming and cost-adding trans-shipment of garment exports. In turn, this will contribute to buyer satisfaction and manufacturer profitability.

DIVERSIFY THE MYANMAR GARMENT SECTOR AND MOVE IT UP THE VALUE CHAIN WITH CAPACITIES FOR KNIT AND FOR DESIGN

As the sector's training centres become more sophisticated and manufacturers build experience with a wider range of products, garment markets and input suppliers, some firms will be in a good position to move up the value chain into garment design and original brand manufacturing. This is unlikely to occur on a large scale within the five-year time frame of the present strategy, but if the strategy is fully and quickly implemented a few firms could be close to ready in this time frame. More immediately, many of the new foreign-invested companies are expected to bring in capacity for knit production (HS 61), which is largely absent today.

IMPROVE THE ENVIRONMENTAL AND SOCIAL IMPACTS OF THE SECTOR AND LINK EXPORTERS TO ADDITIONAL, HIGHER-VALUE MARKETS BY ENSURING THAT THE SECTOR GROWS IN COMPLIANCE WITH THE STANDARDS EMBODIED BY BSCI, WRAP, OHSAS 18001, ISO 14000, AND THE LIKE

As new plants are established and existing plants are upgraded and expanded, equipment, manufacturing processes and managerial practices will be held to higher environmental and social standards. This will eventually allow most plants to receive internationally recognized certifications, such as BSCI and WRAP, which will both promote responsible economic growth and allow access to consumers willing to pay a premium for responsibly manufactured garments.

ROLE OF INVESTMENT TO MOVE INTO NEW VALUE CHAINS

Improving the garment value chain as envisioned by the sector strategy and PoA will require considerable investment. Public funds and donor aid will be important sources of this investment, particularly for infrastructure, the business environment, Government capacity, and guidance to the private sector. However, few factors are as fundamental to the success of a sector as its capital investment, which must be profit-driven to be sustainable in the long term. Therefore, the private sector itself will be the primary source of investment, and a successful sector strategy should mobilize export-oriented private investment as both an integral part and an early driver of improvements to the value chain. In the medium-to-long term, the combination of concerted public support, motivated private investment and the general air of hope for Myanmar's future should create enough confidence and momentum to stimulate a virtuous cycle of self-sustaining growth and development.

Myanmar is an LDC and classified as being in a fragile or conflict-affected situation. It has a transition economy and a very weak financial sector. As such, domestic investment is unlikely to reach transformative levels for the garment sector in the foreseeable future. A comprehensive private sector development plan is needed for domestic enterprises, but in the short-to-medium term the role of FDI will be especially important.

FDI can have a transformative effect on a developing a country's home-grown, domestically oriented industry, and help it to achieve significant export growth. International investors may be able to introduce a wide range of assets otherwise unavailable to local enterprises, such as large amounts of capital, better inputs, technologies, skills, management practices, operational experience, economies of scale and international distribution channels, among others. This role for FDI has been particularly evident and persistent in the evolution of the garment sector across Asia over the last three decades.

TYPES OF INVESTMENT NEEDED AND THEIR LIKELY SOURCES

Tripling the sector's size (as measured by number of factories and employees), as well as its quality, efficiency, value chain operations and exports, will require a large amount of foreign investment in new and improved garment factories. Cheap labour and electricity costs and preferential tariffs are larger drivers of investment decisions in the garment sector than transportation costs. As such, the most likely investors will be from countries where the garments are being sold. At the moment, these are Japan and the Republic of Korea, and several EU countries, particularly Spain and the United Kingdom. Eventually, these should include the United States, Germany and France, among others.

A second group of likely investors are large garment-manufacturing countries which are losing cost competitiveness and/or moving up the value chain to original design and brand manufacturing. Most such countries are in Asia – China, Bangladesh, Viet Nam, India, Indonesia, Sri Lanka, Pakistan and Thailand each exported more than US$1 billion of non-knit garments (HS 62) in 2012 – and are more likely to outsource to Myanmar than non-Asian producers operating at similar levels of cost and capability, such as Haiti, for example. Even though Haiti is closer to the large United States market, a Chinese garment factory just starting to outsource certain orders, for example, is likely to have an easier time doing business in a country that is geographically and culturally closer.

In fact, there is already anecdotal evidence for substantial increases in garment FDI originating in China and Bangladesh, the world's two largest garment manufacturer-exporters, both of which border Myanmar. Relatively high exports from Myanmar to Turkey – the world's largest non-Asian manufacturer-exporter of garments – suggest that it too may be outsourcing significant quantities and may become a source for FDI. Table 14 presents the export markets from which FDI is most likely to originate, as well as some of those countries' leading markets.

Table 14: *Value chain segments needing FDI and likely sources*

Likely FDI source countries	Major garment companies, by revenue	Type of business
Japan	Fast Retailing (Uniqlo)	Specialty store
	Shimamura	Specialty store
	Sogo and Seibu	Department store
Republic of Korea	Lotte	Department store
	Shinsegae	Department store
	Hyundai	Department store
Spain	Inditex (Zara)	Specialty store
	Mango	Specialty store
	El Corte Inglés	Department store
United Kingdom	Next	Specialty store
	Marks and Spencer	Department store
	Trent	Department store
China	Youngour Group	Ready-made garment manufacturer
	Hongdou Group	Ready-made garment manufacturer
	Heilan Group	Ready-made garment manufacturer
United States	GAP	Specialty store
	Limited Brands	Specialty store
	Polo Ralph Lauren	Specialty store
Turkey	Aksa Akrilik Kimya	Ready-made garment manufacturer
	Korteks Mensucat	Ready-made garment manufacturer
	Advansa Sasa Polyester	Ready-made garment manufacturer
Germany	C&A	Specialty store
	H&M (Sweden)	Specialty store
	KiK	Specialty store

Sources: Fast Retailing website, United States Department of Commerce, The Business of Fashion, Fung Research Centre and China National Garment Association, Export Promotion Centre of Turkey, RegioData Research.

Myanmar's garment sector stakeholders, in particular DICA, MGMA, MoI, MoC and UMFCCI, should work to present proven investors with Myanmar's investment opportunities and, simultaneously, to advocate investment climate reforms that will enhance Myanmar's attractiveness. Most of the companies in table 14 already have extensive presences in the region. Future investment projects in Myanmar might originate with headquarters or with these regional affiliates.

THE SECTOR'S LEADING COMPETITORS FOR FDI

Myanmar's top competitors for FDI in the sector are shown in table 15. Two of these competitors are also important sources of FDI: China and Bangladesh. China, with its rapidly growing middle class, is also a major market, which is served largely by domestic garment firms that could be interested in investing in Myanmar. FDI from Bangladesh, on the other hand, would more likely be a shifting of United States, European and East Asian investment. That Myanmar borders both countries is an advantage. It allows Myanmar to present potential investment projects to existing investors in those countries as a slightly more distant extension of their current activities.

Table 15: *Performance of top competitors in Myanmar's existing and potential markets (HS 62: articles of apparel, accessories, not knitted or crocheted)*

Country	Exported value (US$ millions)	Growth in value, 2008-2012 (%, per annum)	Ranking in world exports
Myanmar	843	23	29
China	61 224	6	1
Bangladesh	11 075	18	3
Viet Nam	8 419	14	6
India	7 430	8	7
Turkey	5 436	2	9
Indonesia	3 745	5	11
Sri Lanka	1 812	4	22
Pakistan	1 694	9	23
Thailand	1 138	-3	24
Cambodia	219	16	57

Source: ITC calculations based on United Nations Comtrade statistics.

CRITICAL FACTORS FOR FOREIGN INVESTORS IN MYANMAR'S COMPETITOR LOCATIONS

The major drivers of FDI location decisions in the garment sector include market access, labour costs and availability, and electricity costs. Table 16 compares Myanmar to its major competitors for FDI attractiveness in terms of market access.

MTDC and its stakeholders should commission a study to benchmark labour costs, labour availability, electricity costs and other major factors. Armed with this information, DICA – strengthened in line with NES recommendations and in partnership with MGMA, MoI, MoC, UMFCCI and other sector stakeholders – would be equipped to effectively target investors for the most competitive activities, and advocate investment climate reforms to make the others more competitive.

Table 16: *Total ad valorem equivalent tariff faced by Myanmar and its competitors in Myanmar's major existing and potential markets*

	Importing market			
Myanmar and its top competitors (ranked from strongest to weakest)	United States	Japan	EU	Republic of Korea
Myanmar	10.80	0.00	11.52	8.60
China	10.80	8.89	11.52	10.10
Bangladesh	10.72	0.14	0.00	9.91
Viet Nam	10.80	0.00	9.22	9.02
India	10.72	8.89	9.22	10.10
Turkey	10.72	8.89	0.00	12.83
Indonesia	10.72	0.00	9.22	10.10
Sri Lanka	10.72	8.89	9.22	10.10
Pakistan	10.72	8.89	9.22	12.83
Thailand	10.72	0.00	9.22	9.02
Cambodia	10.72	0.00	0.00	8.60

Colour legend	Best rate in group	Worst rate in group	Somewhere in between

Source: ITC calculations based on United Nations Comtrade statistics.

HOW TO GET THERE

The vision of the strategy of "Job creation and economic development through environmentally sustainable export growth in the textile and garment sector" responds to the constraints, but equally to the ambitions, identified in the sector strategy. The following section explains the framework that will guide the implementation of the strategy. A detailed action plan setting out what needs to be done, and by whom, is presented at the end of this section.

STRATEGIC OBJECTIVES

The NES design process was highly inclusive of major stakeholders in the textile and garment sector. This was critical to understanding the real situation on the ground from every angle, to building consensus on the strategic steps to be taken, and to starting the work of assembling a coalition of actors with the interest and ability to jointly implement the strategy in a decisive and effective manner. This section contains a PoA to guide the strategy's implementation. It is broken into targeted activities or projects, each with its own concrete goals, beneficiaries and responsible parties. Each of the activities contributes in one or more ways to the accomplishment of the following strategic objectives.

1. **Secure public policies that will enable transformation of the Myanmar textile and garment sector from the CMP mode of manufacturing to the FOB mode.** This objective will be realized through initiatives implemented along the following dimensions (or operational objectives):
   - Adopt policy measures to support textile and garment sector evolution from CMP to FOB.
   - Promulgate and enforce labour regulations that improve the skills and competitiveness of the sector's labour force.
   - Establish the financial policies and regulatory framework that will allow the sector to finance factory start-up, operations and trade.

2. **Substantially increase production and exports of textiles and apparel according to international quality standards.** This objective will be realized through initiatives implemented along the following dimensions (or operational objectives):
   - Increase the number of garment factories from 300 now to 800 by 2015.
   - Infuse the sector with large amounts of capital, technology, skills and international business networks not available domestically.
   - Establish clear quality standards for the sector and help firms meet them reliably.
   - Empower exporters with quality information on foreign markets.
   - Foster an internationally competitive and socially sustainable workforce through the building of skills and a strong work culture.
   - Enable cotton farmers and textile producers to participate in and profit from the garment sector's growth.

3. **Greatly improve efficiency and reduce costs of the sector through the public provision of critical infrastructure in sector-dedicated zones and port facilities.** This objective will be realized through initiatives implemented along the following dimensions (or operational objectives):
   - Provide cluster growth poles through fully serviced SEZs dedicated to garment factories and supporting industries.
   - Ensure adequate electricity supply to existing industrial zones where garment factories are located.
   - Increase container yard space and reduce the cost of getting Myanmar garments out of the country.

4. **Achieve widespread adoption of worker protections and environmentally friendly technologies and practices.** This objective will be realized through initiatives implemented along the following dimensions (or operational objectives):
   - Link all textile and garment factories to wastewater effluence systems, so as to preserve Myanmar's vital water resources.
   - Encourage adoption of low-emission and energy-conserving machinery and equipment, so as to start Myanmar's industrialization in a sustainable way.
   - Ensure workers are provided with adequate ventilation and protective equipment.

The types of activities undertaken will include policy; training; provision of information and assistance; institutional strengthening and funding; investment promotion; and stakeholder outreach. The immediate outputs of these activities should be improved performance by: garment and textile manufacturers, MGMA, the MoC Department of Trade Promotion and the DICA Foreign Investment Department.

Together, the activities will lead to higher product volume, better product quality, lower costs, more socially and environmentally responsible production, and the placement of Myanmar's garment sector on an evolutionary path from CMP to FOB to original design manufacturing.

IMPORTANCE OF COORDINATED IMPLEMENTATION

The first step in rolling out the PoA is matching the activities to donors, many of whom were consulted during the NES design process. If all activities are fully funded and implemented, it is expected that the value of Myanmar's textile and garment exports will quadruple by 2020. The largest and most immediate export growth is expected to occur in not knitted, CMP, men's garments to Japan, the Republic of Korea, Germany and the United Kingdom. However, as United States sanctions are lifted and the value chain strengthens, creating reliably high quantities and quality, Myanmar should become more competitive in North America and Western Europe for FOB garments, whether knit or not, including some original Myanmar designs.

The activities needed to realize this vision are broad in scope and their coordinated implementation is a complex matter. An effective coordinator is needed to guide the broad range of stakeholders involved in implementation, ensure the efficient allocation of resources, advocate policies in support of the strategy, and monitor results at both the micro and macro levels. To this end, the MTDC will be established in order to facilitate the public–private partnership which will elaborate, coordinate and implement the NES. Moreover, the MTDC will play a key role in recommending revisions and updates to the strategy so that it continues to evolve in alignment with Myanmar's changing needs.

IMPLEMENTATION PARTNERS – LEADING AND SUPPORTING INSTITUTIONS

A number of institutions will play a key role in the implementation of this export strategy, as illustrated in the section on TSIs and the PoA. These are institutions that have the overall responsibility for successful execution of the strategy, as well as support institutions that are active partners but not leading institutions. Each institution mandated to support the export development of the textile and garment sector is clearly identified in the PoA. Implementing partners include MGMA, MoI, MoC, MoLESS, MIC, MoFR, MoT, MoEP, UMFCCI, the Ministry of Health (MoH), the Ministry of Environmental Conservation and Forestry (MoECF) and the Ministry of National Planning and Economic Development (MNPED), among others.

THE **REPUBLIC OF THE UNION OF MYANMAR**

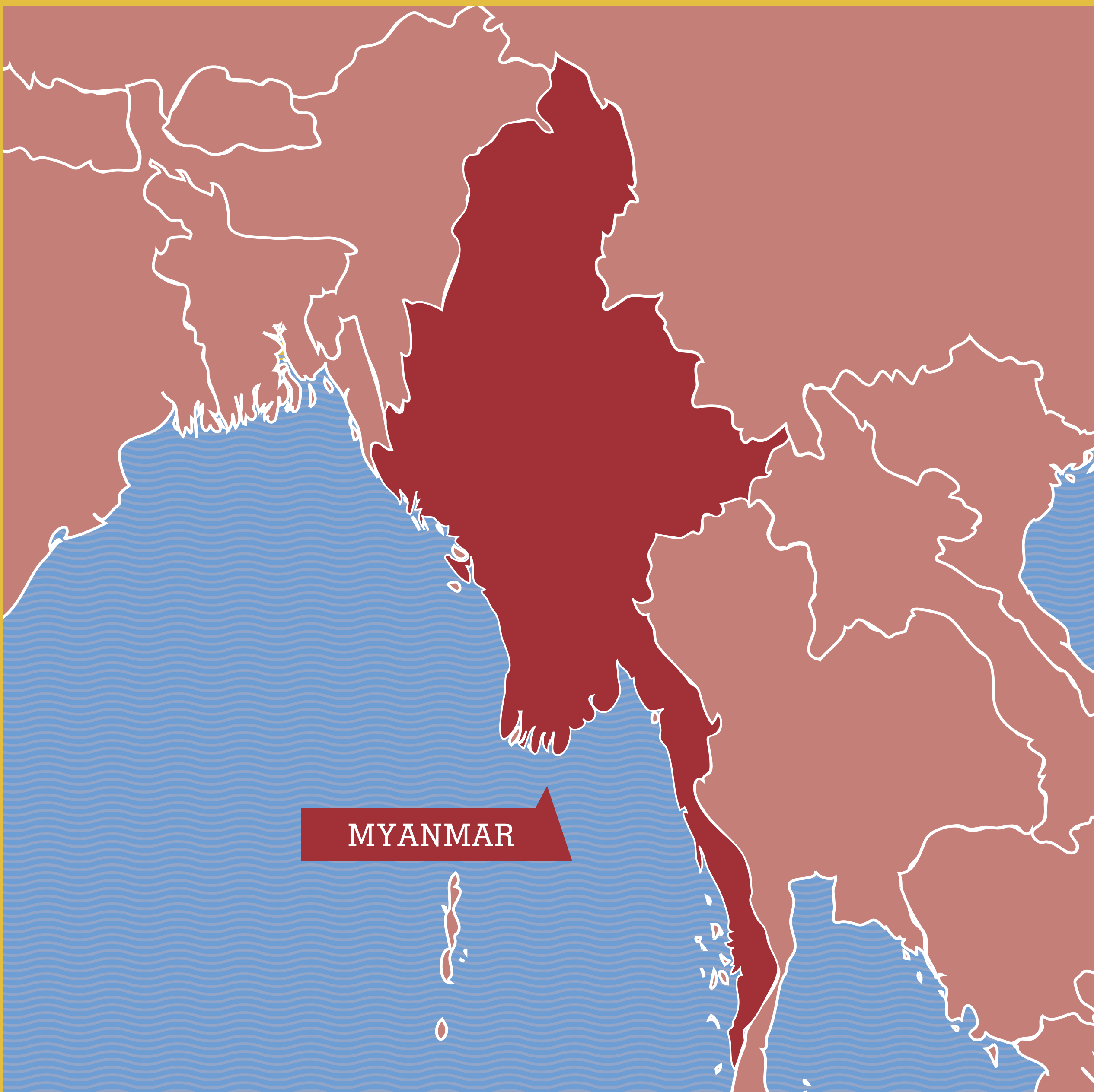
NATIONAL EXPORT STRATEGY

TEXTILES AND GARMENTS

SECTOR STRATEGY 2015-2019

PLAN OF ACTION

The following action plan details all the activities to be undertaken over the next five years to achieve the vision of the strategy. The action plan is organized around strategic and operational objectives that respond to the constraints and opportunities identified in the strategy. The action plan provides a clear and detailed framework for the effective implementation of the Textiles and Garments strategy.



Strategic objective 1: Secure public policies that will enable transformation of the Myanmar textile and garment sector from the CMP mode of manufacturing to the FOB mode.

Operational objectives	Activities	Priority 1=high 2=med 3=low	Beneficiaries	Targets	Leading implementing partner	Supporting implementing partners	Existing programmes or potential support	Estimated costs (US$)
1.1 Adopt policy measures to support textile and garment sector evolution from CMP to FOB.	1.1.1 Extend the same duty exemptions enjoyed by importers of CMP inputs to importers of FOB inputs, an advantage typically enjoyed by Myanmar's competitors and critical to making the CMP-to-FOB transition profitable.	3	Garment factories	Twenty factories with first FOB orders completed	MGMA	MoFR, Customs, MoC		None
	1.1.2 Adopt an SEZ law and articulate implementing regulations which provide for the ownership, development and management of fully serviced SEZs by public, private, or public–private parties. This should promote synergetic clusters and optimize the cost of providing the sector with the infrastructure it needs to succeed.	3	Garment factories, SEZ operators	First 1,000 fully serviced acres established with over 50% occupancy	MoI	MoFR, MNPED, MoT, MoRT, Customs, MGMA, UMFCCI		None (but TA needed for guidance on best practices: 100 000)
	1.1.3 Form a high-level policy steering body (e.g. interministerial committee or ministry) dedicated to the coordinated formulation and implementation of strategic policies and initiatives for the promotion of the textile and garment sector.	3	Garment factories	Body formalized and first meeting held	MoC	MNPED, MoI, MoIP, Ministry of Agriculture and Irrigation, Customs, MoC, UMFCCI, MGMA		None (but TA needed for guidance on best practices: 100 000)
	1.1.4 Provide tax exemptions for capital investments and duty exemptions for imports of capital goods, to encourage ramping up the sector's productive capacity with modern equipment.	2	Investors, buyers	Commencement of exemption	MoC	Customs, MoFR, MoI, UMFCCI, MGMA		None
	1.1.5 Encourage greater use of modern machinery by having the Government guarantee long-term credit arrangements between Myanmar buyers and foreign suppliers.	3	Investors	Guarantees and subsidies implemented	MoFR	MoI, MoC, MGMA, UMFCCI, Central Bank of Myanmar (CBM)		None (but TA needed for guidance on best practices: 100 000)
1.2 Promulgate and enforce labour regulations that improve the skills and competitiveness of the sector's labour force.	1.2.1 Articulate regulations for the trained worker retention clause of the Employment and Skill Development Law and enforce them, so that employers and workers may engage in meaningful contracts by which employees receive advanced training from firms in exchange for commitments to stay with those firms for an agreed period, thereby incentivizing employer investment in Myanmar labour.	3	MGMA & workers	Regulations published and enforcement mechanism operational	MoLESS	UMFCCI, MGMA, non-governmental organizations (NGOs), international non-governmental organizations (INGOs)		None
	1.2.2 Extend the standard length of work permits for foreign technicians and professionals from three months to one year, with the possibility of renewal, so that Myanmar firms can predictably fill critical skill gaps while domestic skills and worker retention policies are being improved.	2	Technicians, merchandizers, factory managers	Satisfaction with work permits 80% or higher in a survey of garment factory owners	MIC	MoIP		None

Strategic objective 1: Secure public policies that will enable transformation of the Myanmar textile and garment sector from the CMP mode of manufacturing to the FOB mode.

Operational objectives	Activities	Priority 1=high 2=med 3=low	Beneficiaries	Targets	Leading implementing partner	Supporting implementing partners	Existing programmes or potential support	Estimated costs (US$)
1.3 Establish the financial policies and regulatory framework that will allow the sector to finance factory start-up, operations and trade.	1.3.1 Issue MoFR instructions permitting the export of goods without proof of advance payment or letter of credit, as currently required, so that Myanmar may engage in trade according to international norms and be a more attractive sourcing destination.	1	Existing and potential investors	Change of MoFR regulations	MoFR	MoFR, all commercial banks (local & foreign), investment banks, Myanma Foreign Trade Bank (MFTB), Myanma Investment and Commercial Bank		None
	1.3.2 Issue CBM instructions on conducting back-to-back letters of credit and other forms of trade finance, giving financial institutions the regulatory clarity they need to proceed. (Note: Some banks have been licensed since 2011 but are awaiting guidelines.)	1	Existing and potential investors	Change of CBM regulations	CBM	MoFR, all commercial banks (local & foreign), investment banks, MFTB, Myanma Investment and Commercial Bank		None
	1.3.3 Issue CBM instructions permitting the use of certain movable assets as collateral and increasing the percentage of the collateral's value which can be lent, allowing garment manufacturers to borrow much more than currently possible.	1	Existing and potential investors	Change of CBM regulations	CBM	MoFR, all commercial banks (local & foreign), investment banks, MFTB, Myanma Investment and Commercial Bank		None
	1.3.4 Establish Government guarantees and subsidies to support long-term credit for firms in the sector, allowing garment manufacturers to borrow much more than currently possible.	1	Existing and potential investors	First guarantees made and/or subsidies given	MoI	MoFR, all commercial banks (local & foreign)		Up to 100 000 000 (if fully backing 500 000 in upgrades for each of 200 factories)

Strategic objective 2: Substantially increase production and exports of textiles and apparel according to international quality standards.

Operational objectives	Activities	Priority 1=high 2=med 3=low	Beneficiaries	Targets	Leading implementing partner	Supporting implementing partners	Existing programmes or potential support	Estimated costs (US$)
2.1 Increase the number of garment factories from 300 now to 800 by 2015.	2.1.1 Under the aegis of the high-level policy steering body, establish a working group to reduce the number and processing time of official procedures for garment factory start-up (e.g. registration, so that start-up time is reduced from four or five months to one month).	1	New investors	Reduced number of required documents Special procedure for garment factories	MoI	MoLESS, regional governments, MoI, UMFCCI, MGMA, MIC, MoC		None (but TA needed for guidance on best practices: 100 000)
	2.1.2 Stimulate creation of sector-supporting businesses, such as plant set-up consulting firms and design houses, through investment promotion and by offering these businesses the same preferential treatment given to textile and garment firms.	2	Manufacturers, workforce	Strong vertically and horizontally integrated cluster established	MNPED	DICA, UMFCCI, MGMA, MIC, MoC, CBM		None (but TA needed for guidance on best practices: 100 000)
2.2 Infuse the sector with large amounts of capital, technology, skills and international business networks not available domestically.	2.2.1 Articulate clear and objective eligibility requirements for MIC approval of wholly foreign-owned garment factories and apply them predictably and transparently.	1	Investors	Satisfaction with the process 80% or higher in a survey of applicants	MIC	MNPED, MGMA, DICA, UMFCCI		None
	2.2.2 Make the garment sector an investment promotion priority for DICA, providing it with an additional staff member with sector experience, and the funds to subscribe to a commercial database of investors.	1	Garment sector	Additional staff member recruited	DICA	MNPED, MGMA		50 000 for five years of human resources costs and database subscription
	2.2.3 Encourage greater use of modern machinery by having the Government guarantee long-term credit arrangements between Myanmar buyers and foreign suppliers.	1	Investors	First guarantees made	MoFR	MoI, MoC, MGMA, UMFCCI, CBM		Up to 20 000 000 (if fully backing 200 000 in upgrades for each of 100 factories)
	2.2.4 According to current skill demands, implement a vocational programme for machine operation and maintenance, production management, industrial engineering, fashion design, and computer-assisted design operations.	2	Workers, employers	Total of 150,000 workers trained in first three years	MGMA	Vocational training schools, INGOs & NGOs, UMFCCI, MoC, Ministry of Information, MoLESS, UMFCCI, MGMA	JICA, JICA-MGMA, and MoLESS training programmes	1 000 000 to train 50 000 per year
2.3 Establish clear quality standards for the sector and help firms meet them reliably.	2.3.1 Have MGMA establish national quality standards for garments and disseminate those standards to members through circulars and seminars, and online.	2	Factories, garment sector employees & employers, the environment, consumers, whole supply chain	Quality standards set by MGMA	MGMA	Myanmar Scientific and Technological Research Department, MoI, MoC, Ministry of Information, Myanmar Engineering Society, MoLESS, UMFCCI		None (but TA needed for guidance on best practices: 100 000)
	2.3.2 Have the Myanmar Scientific and Technological Research Department act as a testing and certifying body for garment quality and build its capacity to do so.	2	Garment factories	Testing and certification started	Myanmar Scientific and Technological Research Department	MGMA, Ministry of Science and Technology		250 000 for equipment and training

Strategic objective 2: Substantially increase production and exports of textiles and apparel according to international quality standards.

Operational objectives	Activities	Priority 1=high 2=med 3=low	Beneficiaries	Targets	Leading implementing partner	Supporting implementing partners	Existing programmes or potential support	Estimated costs (US$)
2.3 Establish clear quality standards for the sector and help firms meet them reliably.	2.3.3 Have MoI help the sector achieve widespread international quality certification (BSCI, SGS, WRAP, ISO etc.) through awareness-raising campaigns and monthly trainings in Yangon for quality assurance personnel of garment factories. This will help the sector adopt appropriate quality control mechanisms both for the import of inputs (for FOB manufacturing) and for the export of garments that are globally recognized as meeting basic quality standards.	2	Factories, garment sector employees & employers, the environment, consumers, whole supply chain	Quality assurance personnel from 90% of factories have participated in the trainings	MoI	UMFCCI, MGMA, MoC, Ministry of Information, Myanmar Engineering Society, MoLESS		50 000 in TA to design the campaigns and funding to deliver it
2.4 Empower exporters with quality information on foreign markets.	2.4.1 Facilitate garment sector companies' participation in international exhibitions in target markets through assessing the availability of exhibitions in the garment sector, seeking invitations, and securing visas and participation booths.	2	Garment companies	Participation of at least 50 companies in at least five target markets	MoC	MGMA, UMFCCI		None (task falls within the existing mandate of MoC)
	2.4.2 Organize trade missions to target markets, presenting well-developed export products with well-prepared fact sheets, new designs, new packages and samples.	2	Garment companies	Participation of at least 50 companies in at least five target markets	MoC	MGMA, UMFCCI		100 000 in travel expenses
2.5 Foster an internationally competitive and socially sustainable workforce through the building of skills and a strong work culture.	2.5.1 Using public funding or public–private partnerships, establish worker training, testing and certification centres for the booming garment labour force at sector clusters and SEZs as a cost-effective way of upgrading productive capacities and growing the labour pool where it is needed.	2	MGMA & workers	Five skill training, testing and certification centres opened	MoI	MoLESS, NGOs & INGOs, UMFCCI, MGMA		3 000 000
	2.5.2 Have the ministries responsible for industry and labour collaborate with industry associations and civil society to create a public education campaign for television and radio that will educate the public on the work culture that will allow Myanmar to be globally competitive while upholding worker rights.	1	MGMA & workers	Thirty-six hours of air time for television and radio interviews, commercials, etc.	MoLESS	UMFCCI, MGMA, NGOs & INGOs, Ministry of Information, MoC		250 000
	2.5.3 Have the ministries responsible for industry and labour collaborate with industry associations and civil society to conduct workshops and seminars at factories about employer–employee relations, as a way to reduce worker turnover while building the pool of worker skills and wages within each factory.	1	MGMA & workers	One hundred seminars held	MoLESS	UMFCCI, MoI, MGMA, NGOs & INGOs, Ministry of Information, MoC, consultants		50 000
2.6 Enable cotton farmers and textile producers to participate in and profit from the garment sector's growth.	2.6.1 Have MoI, as the line ministry of the State-owned textile factories, reach out to all public and private textile factories to enlist founding members of a Myanmar Textile Manufacturers Association, with representatives in each state and division, so as to better coordinate the sector's strategic linking to the garment sector, capacity-building and policy advocacy.	1	Textile factories	Minister level committed	MoI (Textile Industries)	Ministry of Cooperatives, UMFCCI, MGMA, MNPED, Ministry of Agriculture and Irrigation, MoC		None (but TA needed for guidance on best practices: 100 000)
	2.6.2 Fund seed distribution and extension services by the Cotton and Sericulture Department's seven research farms, so they can disseminate high-quality seeds and best-practice knowledge to cotton plantations with low-quality seeds and low yields.	2	Cotton farmers, people in the textile value chain	25 percent of cotton production coming from new, high-quality seeds	Ministry of Agriculture and Irrigation	MNPED, MoC, UMFCCI, MGMA		5 000 000

Strategic objective 3: Greatly improve efficiency and reduce costs of the sector through the public provision of critical infrastructure in sector-dedicated zones and port facilities.

Operational objectives	Activities	Priority 1=high 2=med 3=low	Beneficiaries	Targets	Leading implementing partner	Supporting implementing partners	Existing programmes or potential support	Estimated costs (US$)
3.1 Provide cluster growth poles through fully serviced SEZs dedicated to garment factories and supporting industries.	3.1.1 Commission a feasibility study to review potential SEZ sites and make recommendations on location, size, infrastructure, rates, ownership and management structures, services, impacts, risks, etc.	1	New investors	Detailed site analysis for at least five locations	MoI	Ministry of Construction, MoRT, MoT, Ministry of Communications and Information Technology, Ministry of Energy (MoE), MoC, MoEP, private sector representatives, foreign consultants, MoECF, MNPED, MoFR, Ministry of Home Affairs, UMFCCI, MGMA		200 000
	3.1.2 Elaborate legal and regulatory frameworks for SEZs in line with international best practices, as a prerequisite for attracting private investment in the construction, management and ownership of SEZs.	2	investors	SEZ law passed and implementing regulations published	MoI	Ministry of Construction, MoRT, MoT, Ministry of Communications and Information Technology, MoE, MoC, MoEP, private sector representatives, foreign consultants, MoECF, MNPED, MoFR, Ministry of Home Affairs, UMFCCI, MGMA, Attorney General's Office		None (but TA needed for guidance on best practices: 100 000)
	3.1.3 Recognizing the importance of the garment sector as Myanmar's only major manufacturing industry, set aside 4,000 acres of public land for the establishment of two to three garment-centric SEZs.	1	Investors in the garment sector and supporting businesses	First 1,000 fully serviced acres established, with over 50% occupancy	MoI	Ministry of Construction, MoRT, MoT, Ministry of Communications and Information Technology, MoE, MoC, MoEP, private sector representatives, foreign consultants, MoECF, MNPED, MoFR, Ministry of Home Affairs, UMFCCI, MGMA		
	3.1.4 Designate the SEZs as export processing zones to allow duty-free import of garment inputs (whether for CMP or FOB manufacturing) when the final product is due to be exported, thereby giving garment manufacturers one of the basic tools for international competition.	1	All stakeholders	Export-processing zone status granted	MoC	MoFR, MoI, UMFCCI, MGMA, MoT		Forgone Customs revenue
	3.1.5 Assuming private ownership and/or management of the SEZs, make the tendering process competitive and open it to a wide range of international companies, so as to attract a highly experienced company that will charge tenants competitive rates.	1	Garment factories and supporting businesses	SEZ 90% occupied	MoI	MoFR, MGMA		None
	3.1.6 Provide the zone with critical infrastructure, including dedicated electricity, a wastewater treatment plant, roads, telecommunications and facilities for a training centre.	1	SMEs in garments & quick investors		MoI	Ministry of Construction, MoRT, MoT, Ministry of Communications and Information Technology, MoE, MoC, MoEP, private sector representatives, foreign consultants, MoECF, MNPED, MoFR, Ministry of Home Affairs, UMFCCI, MGMA, private investors		Approximately 300 000 000

Strategic objective 3: Greatly improve efficiency and reduce costs of the sector through the public provision of critical infrastructure in sector-dedicated zones and port facilities.

Operational objectives	Activities	Priority 1=high 2=med 3=low	Beneficiaries	Targets	Leading implementing partner	Supporting implementing partners	Existing programmes or potential support	Estimated costs (US$)
3.2 Ensure adequate electricity supply to existing industrial zones where garment factories are located.	3.2.1 Cancel the plan to end public electricity supply to industrial zones and to require manufacturers to generate their own electricity. This poses a major technical and financial hurdle to garment firms, undermining their competitiveness and dissuading investors from starting the many new factories so badly needed.	1	Existing and future zone tenants	Continued public provision of electricity in the zones	MoE	MoFR		None
	3.2.2 Prioritize existing clusters of garment firms in national power grid development plans, for example, by providing them with dedicated electricity substations.	1	Garment factories and supporting businesses	Satisfaction with electricity supply in 90% of garment firm CEOs surveyed	MoE	MoFR, MoI, MoC, MGMA		None (prioritization within existing budget is free)
	3.2.3 As a matter of public policy, have State-owned power companies provide factories with internationally competitive industrial tariffs.	2	Garment factories and supporting businesses	Internationally competitive electricity tariffs for manufacturers	MoE	MoFR, MoI, MGMA		Forgone revenue
3.3 Increase container yard space and reduce the cost of getting Myanmar garments out of the country.	3.3.1 Reduce public lease charges to private container yards.	1	All stakeholders		MoT	MoFR, MoI, UMFCCI, MGMA, MoC		Forgone revenue
	3.3.2 Increase amount of public land used for container yards, allowing more companies to operate, increasing competition and reducing costs.	1	All stakeholders		MoT	MoFR, MoI, UMFCCI, MGMA, MoC		
	3.3.3 Mandate / incentivize / obtain the use of modern port management systems through sector regulations, incentives and terms of concession.	1	All stakeholders		MoT	MoFR, MoI, UMFCCI, MGMA, MoC		None, except for revenue forgone through any incentive scheme

Strategic objective 4: Achieve widespread adoption of worker protections and environmentally friendly technologies and practices.

Operational objectives	Activities	Priority 1=high 2=med 3=low	Beneficiaries	Targets	Leading implementing partner	Supporting implementing partners	Existing programmes or potential support	Estimated costs (US$)
4.1 Link all textile and garment factories to wastewater effluence systems, so as to preserve Myanmar's vital water resources.	4.1.1 Have MoECF officials, water authorities and staff of relevant assembly members receive training from specialized INGOs and NGOs on best-practice laws, regulations and monitoring systems for water conservation.	2	Country, public	Draft laws and monitoring plans prepared	MoECF	Ministry of Information, INGOs, NGOs, UMFCCI, MGMA, MoI, MoC, MoH		150 000
	4.1.2 Elaborate clear implementing guidelines for regulations on wastewater and penalties for failure to comply.	2	Country, public	Regulations published and penalties enforced	MoECF	Ministry of Information, INGOs, NGOs, UMFCCI, MGMA, MoI, MoC, MoH		None (but TA needed for guidance on best practices: 100 000)
	4.1.3 Conduct a campaign among garment factory owners and managers to raise awareness about the negative effects of water pollution, best practices for wastewater management, regulations they must comply with, and penalties for failure to comply.	2	Country, public	Ninety per cent of factory CEOs engaged	MoECF	Ministry of Information, INGOs, NGOs, UMFCCI, MGMA, MoI, MoC, MoH		50 000
	4.1.4 Conduct seminars and workshops for the owners and managers of all garment factories to train them on best practices for wastewater management and procedures for complying with regulations. (With only a couple of hundred factories and nearly all of them based around Yangon, representatives of all factories could conceivably be trained in 10 workshops or fewer.)	2	Country, public	Representatives from 90% of factories trained	MoECF	Ministry of Information, INGOs, NGOs, UMFCCI, MGMA, MoI, MoC, MoH		200 000
4.2 Encourage adoption of low-emission and energy-conserving machinery and equipment, so as to start Myanmar's industrialization in a sustainable way.	4.2.1 Conduct a campaign among garment factory owners and managers to raise awareness about the long-term commercial benefits of adopting various 'green' technologies, both because of cost savings and because of branding value.	2	Country, public, manufacturers	Ninety per cent of factory CEOs engaged	MoE	INGOs, NGOS, UMFCCI, MGMA, Ministry of Science & Technology, MoI, MoC, consultants, MoH		50 000
	4.2.2 Conduct seminars and workshops with factory owners and managers to train them on best practices for conserving energy and maintaining low emissions. (With only a couple of hundred factories and nearly all of them based around Yangon, representatives of all factories could conceivably be trained in 10 workshops or fewer.)	2	Country, public, manufacturers	Representatives from 90% of factories trained	MoE	INGOs, NGOS, UMFCCI, MGMA, Ministry of Science & Technology, MoI, MoC, consultants, MoH		200 000
4.3 Ensure workers are provided with adequate ventilation and protective equipment.	4.3.1 Elaborate clear implementing guidelines for regulations limiting human exposure to harmful working conditions and penalties for failure to comply.	2	Workers, employers, manufacturers, buyers	Regulations published and penalties enforced	MoLESS	INGOs, NGOs, Ministry of Information, UMFCCI, MGMA, MoI, MoC, MoH		None (but TA needed for guidance on best practices: 100 000)
	4.3.2 Conduct a public awareness-raising campaign about the dangers of industrial work and the obligations of employers and employees to maintain a safe workplace for the good of individuals and national development.	2	Workers, employers, manufacturers, buyers	Ninety per cent of factory CEOs engaged	MoLESS	INGOs, NGOs, Ministry of Information, UMFCCI, MGMA, MoI, MoC, MoH		50 000
	4.3.3 Conduct seminars and workshops with factory owners, managers and workers to train them on best practices for ensuring workplace safety in the garment sector. (With only a couple of hundred factories and nearly all of them based around Yangon, representatives of all factories could conceivably be trained in 10 workshops or fewer.)	2	Workers, employers, manufacturers, buyers	High-level representatives from 90 % of factories trained	MoLESS	INGOs, NGOs, Ministry of Information, UMFCCI, MGMA, MoI, MoC, MoH		200 000

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