

Garment Industry in Myanmar – A short history

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

Between 1990 and 2001, it multiplied its exports 69 times. The share of Myanmar's garment exports out of its total exports increased from 2.5 percent in 1990 to 39.5 percent in 2000. Thus garments became the largest exported goods of the country. The United States offered the largest market and in 2000 absorbed more than one half of Myanmar's garment exports. The European Union (EU) provided the second largest market and received nearly forty percent in the same year.

It is generally believed that at its peak period from mid-2000 to early 2001 the Myanmar garment industry had about 400 factories with 300,000 employees generating an export volume of US\$600 million.

In 2003, United States markets were lost due to sanctions which included a trade embargo. From that time, garment firms in Myanmar started to explore Asian markets, Japan in particular.

Between the years 2003 to 2010, Japan was the largest market for Myanmar garments and occupied a 34 percent share of all garment exports of Myanmar. Japan was followed by Germany (24 percent), Spain (14 percent), the United Kingdom (10 percent), and South Korea (8 percent).

In March 2011, the State Peace and Development Council formally transferred power to a new Union government which embarked on a series of sweeping changes and reforms that led to most sanctions being lifted or temporarily suspended by the EU, US, Australia and Canada.

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

Myanmar - Textile & Garment Industry Overview

With the ongoing economic changes, Myanmar is slowly establishing itself as a leading garment manufacturing hub. The ongoing quest for low cost production has drawn manufacturers' attention to the clothing industry in Myanmar. The country has a long history of making yarn, fabric and garment. According to the Myanmar Garment Manufacturers Association (MGMA), in the year 2013 exports from Myanmar were over US\$ 1200 million from the nation's 200 garment factories, 195 of which are privately held. Main markets for exports of clothing from Myanmar are Japan and South Korea.

Currently, there are over 200 garment factories in Myanmar, employing about 20,000 people. Myanmar has seen many foreign companies entering the country's garment industry like Costic International Co., Ltd, Honeys Garment Industry Ltd, Nadia Pacific Apparel Co Ltd, Manufacturer GFT Enterprise Co Ltd, JS Filter Co Ltd, Eurogate Sportswear Ltd, THY Garment Co Ltd, Shinsung Tongsang Inter Co Ltd, Korea Link Industrial Co Ltd & Mac Do Co Ltd.

During 2013, a number of international garment factories came to do business in Myanmar either through 100% FDIs or JVs. These factories are mainly located in Yangon region and the industrial zones of Bago and Ayeyawady regions. Following are a list of companies that have invested / planning to invest in Myanmar

- 1) **CHINA:** SDI Manufacturing; Solamoda Garments Group and Dong Fang Star Garment will carry out a CMP business; Shanghai Donglong Feather manufacturing Co. has tied up with Donglong Myanmar Group
- 2) **EUROPE:** Belgium company, Beaulieu International Group is planning to invest in Myanmar
- 3) **HONG KONG:** AMG Garment factory has tied up with Archid Garments; Kamtex has a JV with Myanmar Sein Pann Garments
- 4) **JAPAN:** Local MK company has tied up with Japanese-based Wacoal Co.
- 5) **MALAYSIA:** Chia Moon Garment will work with Myanmar's Haker Enterprise
- 6) **SINGAPORE:** Silta Pte has a JV with Myanmar's Lita Group and Myint Myat Htut Khaung International on CMP business
- 7) **TAIWAN:** Melody Global & Sunny Shoes will operate in sportswear and footwear
- 8) **THAILAND:** North Star Manufacturing Co. are establishing a JV CMP garment unit with a local partner

**REPORT ON THE BUYER SELLER MEET IN
AMARAPURA (8TH DECEMBER)
MANDALAY (8TH DECEMBER)
WUNDWIN (9TH DECEMBER)
YANGON (11TH DECEMBER)**

A buyer seller meet was organized by the Council with the active support of The Consulate General of India in the cities of Amarpura, Mandalay and Wundwin City, Myanmar and under the able guidance and leadership of the Consul General, Dr. Nandakumar. The Textile & Weavers Association in Amarpura and the Weavers Association in Wundwin were gracious enough to spare their respective Association Halls as a venue for the BSM. They also invited the members of their Association to attend the BSMs. The BSM in Yangon was organized with the support and guidance of the Embassy of India, Yangon.

11 Indian companies had registered for the programme and the list of participants is at Annexure-1.

Main Objectives:

The main objectives of organising the Buyer Seller Meet (BSM) were as follows:

- Understand the present market conditions in Myanmar
- Assess level of domestic textile production & technology being used by Myanmar.
- Showcase the strength and capacity of India cotton textiles industry as a reliable supplier of quality raw materials to Myanmar.

Amarapura:

Amarapura meaning "City of Immortality" is a city in the Mandalay Division of Myanmar, situated 11 km to the south of Mandalay. The locals sometimes refer to it as Taungmyo (Southern City) to distinguish it from Mandalay (Northern City).

Weaving industry is one of the main professions of the Amarapura people. Over one hundred looms are used to obtain beautiful and intricate design and patterns in cotton and silk which are worn in very special and ceremonial occasions. As being a famous and interesting cottage industry, this is another place for visitors to have a look.

The 11 member delegation travelled to Amarapura which is an hour drive from Mandalay for the BSM at 11 am. The BSM was officially inaugurated at the Saunder's Weaving Institute in Amarapura during which the Deputy Chairman of Texprocil, Shri Ujwal Lahoti gave a welcome address. He hoped that this forum would become a vibrant platform for business interaction between buyers and sellers of cotton textiles between the two countries. He also mentioned that Myanmar has emerged as an important conversion hub and is one of the leading players in the region for exports of garments and is constantly on the look-out for high quality cotton textiles including cotton yarns and fabrics. India ranks high in sourcing of raw material like cotton yarn into Myanmar

but there is tremendous potential to make a significant increase in the fabric segment, given that India manufactures high quality woven, knitted and denim fabrics, he added.

The Consul General, Dr Nandakumar then thanked the Amarapura's Weavers Association for turning out in large numbers to attend the BSM. He also thanked Texprocil for taking the initiative in getting a textile delegation to Myanmar and hoped that business could be generated through this forum.

The Chairman of Amarapura's Weavers Association then briefly spoke about the small weaving cluster in Amarapura and the products that are manufactured. She also mentioned that the main product that is woven on the handlooms are longyis. The weavers generally use hank yarns as raw material and the popular count of cotton hank yarn in Amarapura is 2/80.

In his vote of thanks, the Executive Director, Shri Siddhartha Rajagopal thanked the CG, the Amarapura Association and the members of the Association for attending the BSM.

Around 15 to 20 weavers attended the BSM.

Immediately after the BSM in Amarapura, the delegation was invited to visit the factory of Shwe Ya Min who were manufacturers and retailers of silk wear and bridal longyis. The factory which was located just behind the retail outlet had about 50 handloom machines with about 75 workers in total. The main products were longyis and the factory also had its own dyeing facilities (including tie-n-dye)

Mandalay:

The BSM in Mandalay was held on 8th December at 3 pm at the Amarapura Ballroom in Hotel Sedona located in the heart of the city.

The Minister for Light and Industry, Mr. Maung Myint and the Joint Secretary General of the Mandalay Region Chamber of Commerce and Industry, Dr Maung Maung inaugurated the BSM. Shri Ujwal Lahoti welcomed the audience to the BSM and gave brief statistics on the current textile and clothing trade between India and Myanmar. He hoped that successful business could be transacted during the course of the BSM.

The CG then thanked the Minister for sparing his valuable time and attending the BSM. The Executive Director proposed a Vote of Thanks.

About 18 business attendees from the local Mandalay region interacted with the delegation from India and the feedback shows that a few useful leads were also generated.

Wundwin:

Wundwin is a small town in the Mandalay Division of Myanmar. The weavers in Wundwin produce longyis on handlooms and use hank yarn as raw material mostly of

count 1/40. The BSM was held at 3 pm at the local hall of the Association in which about 20 weavers from Wundwin attended the meet.

The Chairman of the Wundwin Weavers Association, Mr. Hla Myo thanked the delegation for coming all the way to Wundwin and showcase their products. The Wundwin Township Administrator, Mr. Myo Min Aung was also present at the BSM.

The weavers use cash to purchase their raw material which comes by road mostly from China. They do not have import licences and do not wish to get into the risk of importing. There are about 8000 handlooms in the Wundwin township which consume about 10 pounds of yarn per day (or approx. 5 kgs). This adds to a total amount of 40,000 kgs of yarn consumption per day (or 2 containers per day). Thus the monthly requirement of yarns works to almost 60 containers per month, however the facilities and utilities need to be extended by the local regional government in order to translate this potential into orders.

Yangon:

In Yangon, the Buyer Seller Meet was organised at the Ballroom, Hotel Summit Parkview on 11th December 2014.

The Ambassador of India to Myanmar, Mr. Gautam Mukhopadhyay had a brief interaction with all the members of the Indian delegation and was happy that Texprocil had taken the initiative of bringing a delegation to Myanmar. From the Embassy, the First Secretary, Mr. Janakiraman as well as the Second Secretary, Mr. Kanti Raman were present at the Buyer Seller Meet.

About thirty five companies visited the buyer seller meet in Yangon City comprising mainly of wholesalers and small customers. Some of the members of the Myanmar Garment Manufacturers Association also attended the Meet. Enquiries were received by the delegation and some of the participants succeeded in developing trade contacts with the buyers.

Visit to No. 7 Textile factory in Myittha, Mandalay on 9th December 2014

The visit to the factory was undertaken with the aim of exploring and understanding the current capacities in spinning in Mandalay area.

The factory currently has about 448 people even though the factory is shut down. Texprocil and the delegation enquired about the various aspects and elements of the costing system in Myanmar. It was learnt that the wages for an entry level job worker was about US\$ 100 which increased in slabs of \$6 for every rise in designation. The Manager earns about US\$ 130 per month.

For the purchase of raw material, the earlier system was to invite tenders, however in recent times the Factory Manager is responsible for all raw material purchases and other day to day decisions. The yarns manufactured are sold to private companies and there is no government support when it comes to downward fluctuation in prices. The company then offers a discount and invites tenders for the sale of the yarns.

The yarns are manufactured with the basic intention of only serving demand in the market. If there is no demand then the factory is shut down and this is applicable only to government factories. The no & factory was initially taken over by a Chinese company CYT but as the contract has now ended it is back with the government. The factory is run on a continuous dedicated supply of 33 KVA and the cost is about 125 Kyats for the first 500 units and 100 Kyats for 500 – 5000 units. The water and fire insurance are other main elements of costing. Labour is a 3% cost towards social security.

In case of wear and tear of the machines there is a sufficient stock of spare parts and machine parts in stock. They do not have any government scheme for upgrading machinery.

Meeting with the Minister of Industry on 10th December, 2014

The delegation from India along with Consul General, Dr. Nandakumar met with the Minister of Industry Mr. Kyaw Myint and the Minister for Planning and Economic, Regional Government Mandalay, Mr Aung Zan at their official headquarters.

The CG thanked the Ministers and his team for visiting the BSM at Mandalay and for their support for the BSMs at Amarapura and Wundwin with a request to continue the cooperation and help Indian businesses to grow. The Deputy Chairman, Mr. Ujwal Lahoti then thanked the Ministerial team and said that this was a good opportunity and platform provided by the CGI as well as the Ministry to explore business and make inroads into Myanmar. He also mentioned that business can increase if facilities are provided to the companies to import. The cooperation between Myanmar and India can help local weavers so that they can compete much better in the market. “Cooperation to compete” will be beneficial to both countries. The team was happy to see the potential in Mandalay and the delegation was looking forward to the BSM in Yangon. He reassured that both India and Myanmar need to be open to cooperation from either side.

The Minister in his address said that the government is willing to help and cooperate with the CG of Mandalay. He said that the local regional government will coordinate with the Union government to bring more opportunities for benefits on both sides. He assured that the regional government will assist in any issue that requires immediate attention.

Although the Chief Minister of Mandalay could not attend the meeting he was gracious enough to instruct his colleagues and fellow Ministers to meet the India delegation. The Minister also said that Myanmar is the junction of the East and hence there is no better place than Myanmar to start business and this also aligns with the Hon’ble PM, Shri Narendra Modi’s “Act East” policy.

One of the delegates Ms Sundardas and Sons who manufacture fabrics and garments mentioned that after visiting the factories in Amarapura and Wundwin, they were ready

to pitch in to modernise the factories. They were also planning to invest in garment factories as a CSR initiative mainly for social upliftment and not commercial gains.

The CG then mentioned to the dignitaries that India was interested not only in trade but also willing to put money / technology and sharing expertise in the sector. Similarly he said that Myanmar businessmen also should be open minded and come forward to cooperate in increasing trade. All this would require the support of the Regional Ministry and the Union Ministry for facilities and utilities extended to the Myanmar businessmen so that trade takes place.

The CG also pointed out that many of the businesses in Mandalay do not have import-export licence and it will greatly help the trade if these licences were issued as they will have access to cheaper raw materials with good quality at competitive prices.

The CG also said that a delegation of Myanmar businessmen can visit India and see the technology and facilities in some of the big factories.

The Minister finally thanked the delegation for coming to Myanmar and admitted that Myanmar had a long way to go in terms of development. The policies are now in the initial phase and it will take time to establish the industry as a whole. He said that Myanmar never forget their benefactors and will work together for future development.

He said that Indo-Myanmar relationships go a long way back and if any company has an issue then a proposal can be forwarded to the Regional Ministry to be taken up with the Union Ministry.

Publicity and Marketing:

Company profiles of Indian participants in English and Myanmar were sent along with the invitation letter and registration form to large number of relevant Myanmar buyers, importers, traders and agents. Follow up was done by the office of the CGI in Mandalay and the Embassy in Yangon to ensure maximum attendance at the Buyer Seller Meet.

The Consulate General of India in Mandalay and the Embassy of India in Yangon also arranged to send invitation letters and company profiles separately to potential buyers located in different provinces of Myanmar.

An exhibitors' catalogue was printed in English and Myanmar with full company profile of each participant. This catalogue was distributed to buyers and trade visitors at the meeting venue.

Visit to the Latwar Group Garment Company

The delegation visited the premises of the Latwar Group Garment Company which is primarily in the manufacture of shirts, jackets, Tee Shirts for brands like DKNY, HAJO etc. They are primarily in the 100% CMP mode of garment business.

They have 2 factories and each factory has about 600 sewing machines. They also have a warehouse where the fabrics supplied by the buyers are stored. Fabrics are generally sourced from Taiwan, England and Australia.

They have a worker strength of 1000 workers in shifts of 11 hours per day with overtime with the average worker salary ranging from 90,000 Kyatts / month to 200,000 Kyatts / month for a skilled worker.

Indian delegates manufacturing fabrics also showed their samples to the merchandising team at Latwar and left some samples with the company.

Visit to Lead Fashion Garment Company

The delegation also visited the factory premises of Lead Fashion Garment Company which is primarily in the manufacture of uniforms, jackets, Tee Shirts and ponchos. They are primarily doing about 70% CMP-based garment business and the balance 30% FOB.

Their main source of fabrics comes from China and Taiwan with the uniform fabric coming mainly from Taiwan. The knitted garment business is mainly done on FOB.

Observations:

The Buyer Seller Meet in Amarapura, Mandalay, Wundwin and Yangon enabled the Council and the delegation to closely understand the requirements of the Myanmar Textile & Clothing Sector. The following observations and recommendations are made in this connection:

- 1) Myanmar has a sufficiently developed garment industry and is now among the leading conversion centres in the region. However, it relies on import of raw materials for its handloom and garment sector and hence is constantly looking for quality raw materials like yarns and fabrics.
- 2) Indian has made its mark as the largest supplier of cotton & yarn and with its self-reliant textile industry is capable of offering textile raw materials and finished products with substantial value-addition to Myanmar.
- 3) Myanmar is emerging as a hub in the SE Asian region and in alignment with this status substantial investments have already been made by Japan, Korea, China and Taiwan in the textile and clothing sector.

Recommendations:

- 1) A select buying delegation of the top 8-10 manufacturers from Myanmar should be invited as a delegation to visit India and see the facilities of some top Indian manufacturers.
- 2) Intensive marketing efforts needs to be put in to break into this potential market so that those who have demonstrated capacity to serve these markets and meet the customer can accordingly visit and follow-up
- 3) Regular Buyer Seller Meets in future will help in building good rapport and create opportunities for promoting textile trade between the two countries.
- 4) Considering the huge thrust in infrastructure projects in Myanmar and the potential for home textiles, a select group of buyers of towels, bed sheets etc. can be invited from Myanmar to visit India.

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