Myanmar Garment Sector FACTSHEET

Version 2.0

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Prepared by EuroCham Myanmar's Garment Advocacy Group

The **Myanmar Garment Sector FACTSHEET** aims to update stakeholders on the current state of Myanmar's apparel sector and is intended to contribute to greater transparency and understanding of the sector's importance for the livelihoods of the hundreds of thousands of people in Myanmar. The Factsheet covers the structure of the sector (including garments, footwear, and luggage), the situation of workers, and the sector's contribution to Myanmar's economy, including tax revenue. It also addresses the question of military involvement in the sector. This second edition updates the version published on 24 January 2022.

The Factsheet has been prepared by EuroCham Myanmar, in cooperation with the Garment Advocacy Group (GAG), which brings together over 38 factories and brands. EuroCham Myanmar is the European Chamber of Commerce in Myanmar, representing over 150 companies with European background who are active in Myanmar. Special thanks also to the SMART Factories Programme, an element of the Multistakeholder Alliance for Decent Employment (MADE), Myanmar Centre for Responsible Business and Luther Law Firm for their inputs.

EuroCham Myanmar, November 2023. info@eurocham-myanmar.org

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Myanmar Garments, Growth of the Sector and Export Markets

According to the Myanmar Garment Association (MGMA), over 800 factories operate in Myanmar, producing garments, footwear, handbags, and travel goods. Data from the Open Supply Hub[1], an open-source tool which maps garment facilities worldwide based on brand disclosure and inputs from others, including auditors, currently lists over 500 facilities in Myanmar, which indicates facilities which presently or previously have produced for European/North American buyers. The majority of factory production in Myanmar is for export, mainly as many facilities not on OSH nonetheless export to Northeast Asia.

The lifting of sanctions and the European Union's reinstatement of the Everything But Arms (EBA) agreement in 2013 led to increased foreign investment in Myanmar and a growing garment sector. The EBA grants unilateral duty-free, quota-free access to the EU for all exports except arms and ammunition. Most Myanmar exports to the EU derive from the garment sector; roughly 85% of total exports are textile and footwear products. The high rate of preference utilisation for these products (i.e., about 98%) signals the importance of the EBA in encouraging garment exports from Myanmar to the EU[2].

The European Union is now the primary destination for Myanmar-made apparel products, accounting for up to 54% of Myanmar's apparel exports in 2022[3]. Between 2012 and 2022, the value of garment exports from Myanmar rose by over 900%, from around US$0.9 billion to US$9.2 billion by 2022. In 2022, the Myanmar apparel industry exported approx. US$7.6 billion worth of garments, a further approx. US$1 billion of footwear and US$650 million of handbags and luggage.[4] The size and employment of the footwear industry alone now eclipses the entire textile, clothing, and footwear sector a decade ago. The wider apparel sector and sectors linked to it (logistics, shipping, banking, etc.) are a critically important source of decent jobs and income for over a million workers and their families.

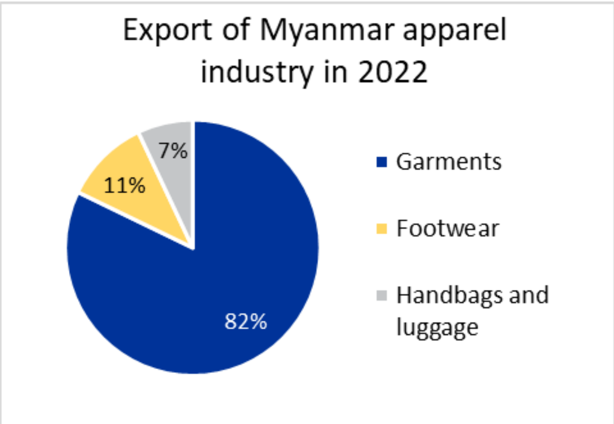

Figure 1. Export of Myanmar apparel industry

Although many factories produce goods for multiple markets, the EU is Myanmar's single largest market. In 2019 and 2022, 54% of garment, footwear and bag exports went to EU member states, with the exports for textile and footwear to the EU being around $5.05 billion for 2022. However, European retailers also often produce hundreds of millions of dollars of goods in Myanmar for markets in the United States and elsewhere. EU-headquartered retailers, therefore, procure significantly more than 54% of the sector's exports, making the role of European buyers all the more important to the Myanmar economy.

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[1] https://opensupplyhub.org/facilities/
[2] https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/myanmar_en
[3] UN Comtrade data with garment HS code 42, 61, 62, 64. Due to a combination of occasional estimates, currency valuation differences and inclusions/exclusion of CIF causes differences in trade figures from different sources.
[4] Ibid.

The EU ranked as Myanmar's third biggest trade partner in exports (after China and Thailand), accounting for 19.5% of the country's total trade. Myanmar is the EU's 52nd import partner and 68th largest trading partner for import and export (accounting for 0.1% of the EU's total trade).

The 2020 pandemic and the political crisis since 1 February 2021 have led to an appreciable decline in the total export value of garments, footwear and handbags to US$6.5Bn in 2021, the lowest export value observed since 2018.[5] Following the global re-opening of borders, 2022 saw a rebound, and despite substantial remaining operational challenges and risks, exports to key markets picked up; in 2022, the value of Myanmar garment exports to the EU was around US$4.3Bn, and US$5.05Bn of footwear and accessories, such as leather goods, handbags and travel goods are included.

Historically, sectoral growth was driven by several factors, including:

- Access to preferential duties through the EU GSP following the reinstatement of EU trade preferences, the Everything But Arms (EBA) initiative, and the US GSP system (though US trade preferences cover only travel goods and bags). The reinstatement was critical to incentivising many Western brands to shift sourcing to Myanmar and develop the industry. It is estimated to be worth between 12 and 17% of import value[6].
- Comparatively low labour costs and increasing costs in other garment-producing countries, such as Cambodia and China.
- Relatively good connectivity for the raw materials and finished goods. According to the preliminary results from the World Bank Garment Firm Survey (conducted from March to May 2023)[7], it took about 4 weeks on average for garments goods to arrive at their final destinations, as reported by the firms directly exporting to the major markets.
- Availability of highly skilled labour for advanced goods, like quilted jackets. Myanmar has become a niche producer of performance outdoor sportswear.
- Presence of established and trusted suppliers known to brands from elsewhere (e.g., China, Vietnam).
- Initiatives in support of higher standards and better industrial relations, such as the EU funded-MADE in Myanmar project and its SMART Factories Programme, and previous actions like the ILO's Decent Work Country Programme, the GIZ FABRIC programme and the DANIDA-funded MYPOD project, among others.

The sector remains dominated by Cut-Make-Pack (CMP) production. However, investors are taking steps to enhance vertical integration and build up more value-added production within Myanmar, pushing towards the FOB model.

[5] HS 61, HS 62, HS 64, and HS 42 product groupings data extracted from UN Comtrade. Some data were unavailable from a few markets of lesser volume significance at the time of writing, in which case other sources, and estimates based on prior figures, were used.
[6] Estimate number, based on comparison to other countries with and without the GSP in place.
[7] A World Bank report on the findings from the Garment Survey will be released in November 2023.

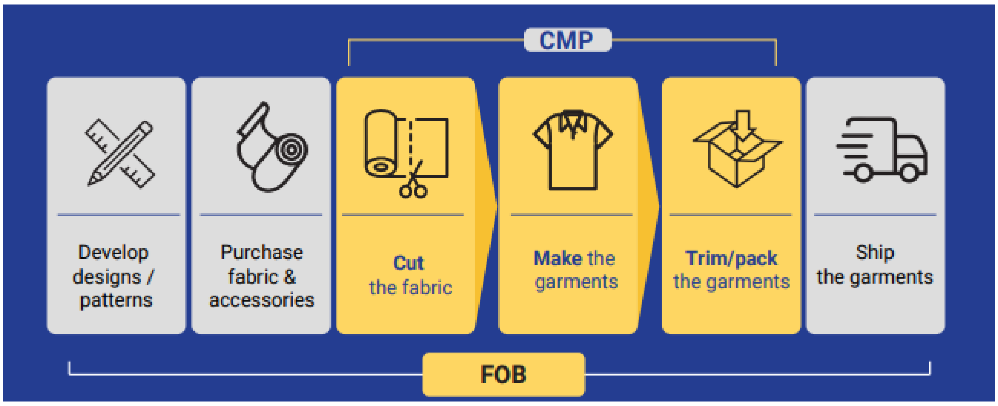


Figure 2. Cut-Make-Pack (CMP) model vs. Free-on-Board (FOB) model. Currently, CMP dominates in the garment sector.

Since 2013, the first GOTS-certified cotton was grown in-country, and the first zipper factory was established—some textile mills integrated with global value chains. Several denim washing facilities, garment printing facilities, circular knitting factories, and a dedicated production for footwear uppers and soles were among the companies that either newly established or expanded production.

From March to May 2023, World Bank Myanmar conducted a Garment Firm Survey, in which 100 garment firms in 3 locations across the country were surveyed.[8] Firms in the sample are privately owned either by nationals, by foreigners, or joint ventures. Preliminary results from this survey show that of those sampled firms that were operating in both 2022 and 2019, roughly one-third increased their output in 2022 compared to 2019. Of these firms 79% cited improved labour efficiency through worker training as a contributing factor, and 69% reported receiving more orders. However, almost half of the surveyed firms that were operating in 2022 and 2019 indicated that their outputs decreased in 2022. Of these firms, 82% reported that reduced new orders were the primary contributor to the output decline, while 60% cited supply-side constraints, primarily power outages.

Although surveyed garment firms operated on average for 95% of their possible operating hours per week in 2022, power outages were reported as a major challenge. Firms across the country experienced power outages on average twice per day, with each outage lasting about 3.5 hours. Surveyed firms estimated the average loss from power outages as equivalent to 31% of total sales. Most firms do not have a plan to upgrade their current CMP operating model. For the 18% of firms with a plan to do so, three-quarters of them plan to upgrade to FOB.

In addition, 30% of surveyed firms experienced order suspensions from international buyers in 2022, and 19% of the firms experienced order cancellations. The majority of these order suspensions and cancellations came from the European Union. However, for more than half the firms experiencing order suspensions, buyers resumed orders in the same year. Since the EU is the major market in which firms sell their main products, the preliminary findings from the World Bank Garment Firm Survey also highlighted that the sector's high reliance on the EU could make many firms vulnerable to business closure if European orders are cancelled due to EBA withdrawal.

[8] A report on these findings is due to be released on the World Bank's Myanmar Monitoring Platform in November 2023.

The Garment Sector's Contribution to the Myanmar Economy

Supplier Factories

The Myanmar Garment Manufacturers Association (MGMA) has 819 member factories, including 530 active and 289 inactive factories as of September 2023.[9] There are also an estimated further 150 export-oriented apparel factories that are not MGMA members, producing footwear, handbags, and travel goods, as well as some non-MGMA garment factories in the Thilawa Special Economic Zone, with typically several thousand workers in each factory.

Myanmar and foreign privately owned companies dominate the sector. Approximately two-thirds of Myanmar's garment factories are foreign-owned, primarily Chinese (including mainland China, Hong Kong, and Taiwan), Japanese and Korean, and some Thai and European investors. Foreign investment in the sector was on a growth trajectory when the pandemic hit. In the first eight months of 2020, a further 63 garment factory investments were approved, almost all foreign. On average, Foreign-owned factories have more than twice as many employees as local companies and are responsible for 80% of the sector's total employment.[10] Those supplying EU buyers generally appear to pay higher salaries and have better working conditions.[11]

Most supplier factories are in the Yangon region's industrial zones (IZs) and Thilawa Special Economic Zone (SEZ). IZs were first established during the 1990s to encourage private sector investment in labour-intensive manufacturing, move industry out of residential areas, and foster industrial clusters. Most land leases for IZs in Yangon were initially entered into by individual Myanmar citizens with the Department of Urban and Housing Development (DUHD). It is understood that the previous government planned to transfer these to Yangon City Development Committee (YCDC). Outside the municipalities of Yangon, Mandalay, and Naypyitaw, the General Administration Department (GAD) is the only entity that can grant land leases as a 'Lease of townlands with power of Renewal in Perpetuity'.

Around thirty IZs are in the Yangon area, many of which house garment factories. There are also garment factories in IZs in Bago, Pathein, Kyaukse, Mandalay, Maubin, Meiktila, Myawaddy, Pakokku and Hpa-an.[12] Under the Myanmar Investment Rules, Investments in areas outside Yangon Region generally attract 5- or 7-year tax holidays, whereas those in Yangon are limited to 3 years.

A 2020 Industrial Zone Law was intended to improve IZ planning and execution and address speculation, where land was leased by Myanmar citizens but then not used. It was also intended to reform and clarify the role of IZ Management Committees responsible for ongoing management and maintenance. Currently, an individual entity (i.e., a private firm or joint venture) or a committee, including zone tenants, may manage IZs. However, implementation is stalled.

[9] MGMA Monthly Newsletter, September 2023
[10] https://www.eurocham-myanmar.org/uploads/af71b-garment-guide-2020.pdf
[11] Initial finding, SMART survey September 2021, to be further explored.
[12] See opensupplyub.org and Myanmar information Management Unit (MIMU) map of Industrial Zones. Conflict has affected suppliers in Pakokku.

Fiscal Contribution

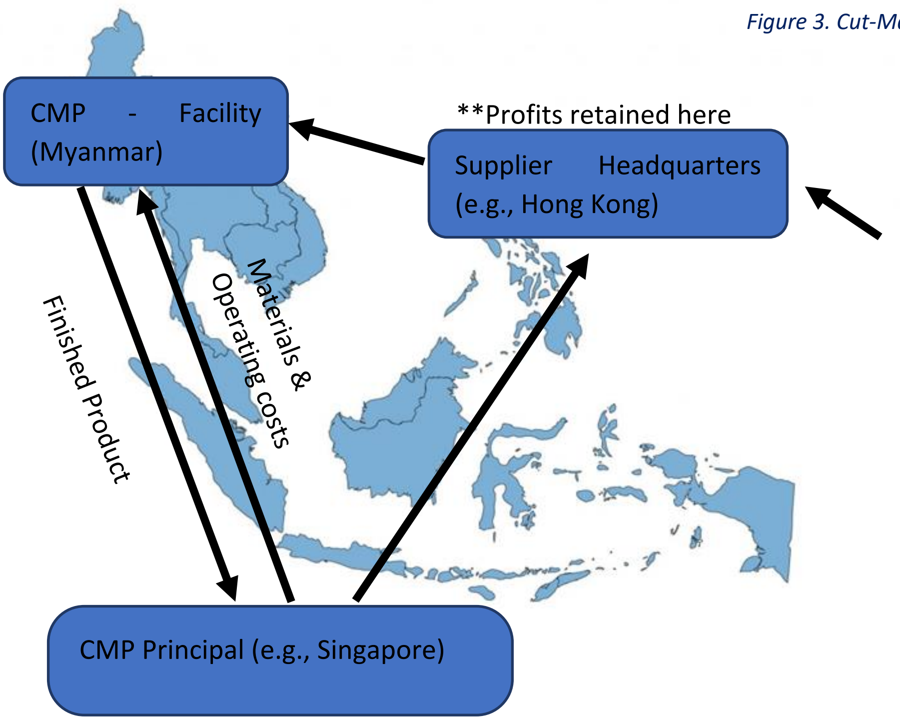
Myanmar has adopted a low-tax approach designed to attract mobile, labour-intensive industries producing for export. The low-tax approach means the garment sector is not a major contributor to state revenue. In particular:

- Export-oriented companies with a Myanmar Investment Commission (MIC) Permit are eligible under S.77c of the Myanmar Investment Law for reimbursement of customs duty or other internal taxes (e.g., Commercial Tax)[13] or both on imported raw materials and partially manufactured goods which are used to manufacture products for export. These reimbursements would also apply to the more advanced free-on-board (FOB) model of garment production not yet widely practised in Myanmar, where the factory would buy its material and sell finished products overseas.
- There are no export taxes or licence fees imposed on garment exports.

The predominant cut-make-pack structure of the sector means that the Principal (usually a Chinese, Japanese, or Korean manufacturing company) sends their factories in Myanmar the raw materials and is at all times the owner. The supplier factories in Myanmar provide the CMP service. The structure of the CMP model (Figure 3) and the low-tax approach incentivise the garment industry, meaning that most of the value generated is preserved or held outside the country, primarily within the principal office or supplier headquarters.

  - CMP imports (raw materials or semi-finished goods used for the production of export goods) and exports are exempt from Myanmar customs duties[14]
  - CMP services are exempted from Commercial Tax (5%)[15]

Figure 3. Cut-Make-Pack (CMP) model.



[13] Generally exempted under the Union Tax Law 2023 (and previous Union Tax Laws)
[14] https://taxsummaries.pwc.com/myanmar/corporate/tax-credits-and-incentives. Exemptions are provided by the Ministry of Commerce on the basis of an endorsement from Myanmar Garment Manufacturers Association
[15] Exempted under Union Tax Law 2023 (and previous Union Tax Laws). More via https://taxsummaries.pwc.com/myanmar/corporate/other-taxes

Most supplier companies, therefore, pay little **corporate income tax** (22%) on profits because:

- Under the Investment Law, the Myanmar Investment Commission has granted investment tax holidays of up to seven years (now reduced to three years for investments in most parts of in Yangon Region)
- Facilities in Myanmar show little profit margin (*see Figure 1*), as manufacturing companies tend to book profits with the "Principal" level (usually outside of Myanmar).
- Disruptions in the sector since the pandemic have impacted profitability.

Workers and resident managers of facilities in Myanmar are liable to pay **personal income tax (PIT).** However, most workers in the sector earn less than the minimum income threshold for paying PIT (4.8 million MMK per year or 400,000 MMK per month). For supervisors and management level, tax rates vary from 0-25% depending on salary and after deductions.[16] Some managers may not be tax residents in Myanmar (i.e., they may not spend >185 days in the country).

Due to its formality, the garment sector is more tax and legally compliant compared to many other, less formal sectors such as agriculture. However, in terms of value, the taxes paid and the contribution of the garment sector to state revenues are only small[17]. The most important contribution it makes to Myanmar's economy is employment.

New investments

An FDI boom began in 2014-2015, following the reinstatement in 2013 of trade preferences for Myanmar by the European Commission[18]. Before February 2021, significant factory investments were often more than 5 million USD per facility, sometimes far more (US$20-30 million). The largest factories state an investment value of over US$40 million.

Recent data from the Myanmar Investment Commission shows that in 2022 and 2023, a few new permits were granted, primarily – as previously - to Chinese-owned factories.[19] However, these new approvals should be seen in context. Modern garment production facilities are generally large and require significant investment and time-consuming development in buildings and the set-up of machinery and production lines. Pre-pandemic, foreign investors – mainly Chinese – sought to establish hundreds of new, extensive, modern factory facilities and invest further in facilities built in preceding years. Although 2022/2023 approvals may be described as 'new investment', it is likely that these companies had already begun their investment plans and building pre-COVID and/or pre-February 2021 and experienced delays for a variety of reasons but continued due to sunk costs.

Not all 'new' investments are even new. Existing factories may also seek to improve the quality of an existing operation, actualise a longer-term vision for development by increasing the scale of their operation, or restructure or improve it, e.g., by shedding JV partners or five-year leases of old factory buildings.

[16] https://www.mopf.gov.mm/sites/default/files/2023_Union_Taxation_Law.pdf. For example, a salary of 1,000,000 MMK per month (without spouse or child deductions) would be liable for around 50,000 MMK income tax i.e., an effective rate of 5%.

[17] A World Bank report on the findings from the Garment Survey will be released in November 2023.

[18] https://ec.europa.eu/commission/presscorner/detail/en/IP_13_695

[19] https://www.dica.gov.mm/sites/default/files/document-files/2023_-une_foreign_direct_investment_yearly_approved_amount_sector.pdf

In comparison, few, if any, major and genuinely 'new' manufacturing investments were committed to since 2021. Furthermore, factories reduced capacity when orders significantly decreased during the 2020 pandemic. Many companies closed operations and remained closed after 2021. The MADE in Myanmar project estimates that at least 150 firms shut down permanently during 2020-2023, with around 50 new facilities paused and yet to open.

A review of existing factories in July 2023 also found that few factories plan to upgrade in the current business environment, citing less demand, access to power supply and an uncertain policy climate as significant impacts on their investment plans.[20]

Foreign Exchange Earnings

The sector's export value (US$9.3 billion in 2022) is sometimes confused with foreign exchange earnings (revenue) by the government. As explained in the section on Fiscal Contribution above, government revenue from the sector is minimal, particularly when compared to, for example, natural resources.

However, the sector contributes to foreign currency inflows into Myanmar as factories receive and exchange foreign currency to run their manufacturing operations. Even this is limited and should not be confused with 'export value'. Since most of Myanmar's garment sector operates on a CMP basis, procuring raw materials and other significant payments (i.e., logistics) are made offshore. Payments and contracts are generally likely to be handled offshore in the region, and this is also where the buyer makes the payment and any profits are booked. Capital equipment that is imported will be sourced from and paid for overseas. It is listed as imported foreign capital in documents submitted to the Myanmar Investment Commission.

Foreign currency is, therefore, mainly brought in to cover running costs and salaries for the workers (expatriate managers may be paid in their own country and only exchange a portion of their salary to MMK). Arrangements for exchanging that foreign exchange varies by company structure and business model; companies will seek arrangements which maximise value.

Under current rules for export earnings, 50% of FX earnings are to be traded on the trading platform run by the Central Bank of Myanmar, which currently offers a maximum rate of 2,932 MMK/USD[21]. The other half must be converted at the official rate (currently US$1 = MMK2100). The State Administration Council claims to prioritise using this FX for essential imports such as fuel (octane and diesel for transportation) and edible oil, which it intends can be resold at affordable prices.

Please note that the information on foreign exchange transactions is valid as of October 2023. Foreign exchange controls and policies are highly changeable, and market rates are volatile.

[20] The Garment Survey, World Bank Myanmar, September 2023
[21] See for example CBM statistics for 16 October 2023

Employment and Unemployment

Before the COVID-19 pandemic, the industry employed approximately 700,000 people and was Myanmar's fastest-growing source of social security enrolment and decent work.[22] The sector supported thousands more jobs in logistics, transportation, accommodation, day-care, and food services. There have been zero major industrial accidents in the Myanmar apparel industry, which resulted in mass injury or loss of life during the previous decade, a major achievement.[23]

About 90% of the employees in the garment sector are women, the majority between 18 and 23 years old. 76% of sector workers are migrants from rural Myanmar, including those affected by conflict.[24] An ILO study showed that before COVID, 86% of the workers sent back approximately 50% of their salaries to their relatives, redistributing income to families all over the country and making the sector a vital lifeline for many poorer, rural households.[25] In terms of female employee share by function in garment firms, female employees account for more than 80% of production and non-production (professional) workers and more than half of non-production (elementary) workers. 83% of garment firms employ female managers, accounting for 56% of the firm's management.

The sector offers a mix of permanent and temporary/casual jobs as facilities seek to respond to fluctuating orders. According to the preliminary results of the 2023 World Bank Garment Survey[26], 2022 saw a 5% increase in permanent, full-time employees across the firms in business in 2022 and 2021. Only 16% of firms hire seasonal or temporary employees for production. Still, of the firms employing seasonal workers, the share of seasonal or temporary workers also increased to 20% in 2022, compared to 15% in 2021. Before COVID, average wages in the sector were around MMK200,000 per month (equivalent to US$150 at the then-market exchange rate), about double the average income for agricultural workers. See the section on Wages below for more details.

However, the pandemic and political situation have led to extensive job losses and deteriorating working conditions. The SMART Factories Programme estimated in 2021 that 60,000 jobs were lost due to COVID before 1 February 2021 and a further 250,000 after due to temporary and/or permanent factory closures. The Myanmar Garment Manufacturers Association (MGMA) estimated that in September 2021, the garment sector (not including footwear and bag/luggage factories) employed approximately 480,000 workers. However, some workers were on reduced hours or furlough. Among workers remaining in jobs, SMART estimated that about 60% worked at factories, which were highly dependent on European buyers.

There is growing anecdotal evidence that as European buyers exit from factories, factories seek to, and may succeed in, attracting new buyers from Asian markets. Myanmar has a very low minimum wage due to a failure to increase the minimum wage since 2018. This, and the Myanmar Kyat (MMK) devaluation, make Myanmar attractive for buyers focused on price, who also tend to be those paying less attention to labour rights and decent working conditions.

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[22] The concept of Decent Work has been defined by the ILO and endorsed by the international community as “Opportunities for women and men to obtain decent and productive work in conditions of freedom, equity, security and human dignity.”

[23] By comparison, between Nov 2012 and March 2018 there were 73 such industrial accidents in Bangladesh apparel industry, source: Fire and Other Health and Safety Incidents in the Bangladesh Garment Sector, Solidarity Center, September 2018

[24] 76% of a sample of 27,868 apparel sector workers in the Myan Ku dataset were born outside of Yangon.

[25] Weaving Gender: Challenges and opportunities for the Myanmar garment industry, p. 23 (ILO, 2018).

[26] A World Bank report on the findings from the Garment Survey will be released in November 2023.

For many women made redundant, there are few alternatives to employment in the garment sector. In August 2022, the ILO published a rapid impact assessment of the labour market in the first half of 2022. The ILO estimated that *'1.1 million fewer women and men were employed since 2020 in an updated estimate that indicates a slight recovery in jobs, but well below 2020 levels. An estimated 19.3 million women and men were employed in the first half of 2022, compared to an estimated 18.6 million in 2021 and 20.4 million in 2020. Job losses remain higher among women than men. In the first half of 2022, total employment is estimated to have been 5.4 % below the level estimated for 2020, while the corresponding figure is 6.5 % for female employment. Labour productivity contracted by nearly 8 % in 2021 and a further 2 % in 2022, reversing the strong gains made in previous years before the military takeover. The current context has taken a toll on enterprises and workers in key sectors. In the garment industry, increasing reports show workers in precarious employment, including casual or daily labour, irregular working hours and workers receiving lower pay. Entitlements such as severance pay when workers are terminated are also often not granted.*[27]

In March 2022, UNDP surveyed 1,600 current and former garment sector workers to take a snapshot of the impact of the military takeover on them and their households. UNDP's September 2022 publication '*Livelihoods Hanging by a Thread: A Survey of Garment Workers and Firms'*[28] reported 76% of respondents stating that their household incomes have gone down, rising to 85% among unemployed former garment workers, for whom wages and salaries were their primary source of income. Moreover, 61.4% of the households with unemployed former garment workers did not have a second source of income. These unemployed workers, particularly men, were actively looking for jobs. However, the prospects of finding a job were slim, taking a period of one to six months on average for the majority of unemployed men and women to find a new job. [29]

UNDP also found that households resorted to several coping mechanisms. Reduction in non-food consumption was the dominant mechanism used by 9 out of 10 garment workers' households. In addition, almost two-thirds of these households resorted to selling assets such as gold, personal transport, and livestock, reducing their income-generating potential to cope with the shock. Relying on savings was the third most prevalent coping mechanism, with few having savings after the pandemic and a year of political crisis. Furthermore, a high share of households (particularly those with unemployed garment workers and many with children) were the most likely to use extreme coping mechanisms such as eating less and reducing food intake.

According to the UNDP survey, these dire economic circumstances impacted the overall outlook on the lives of garment workers, particularly women. 96% of the interviewed garment sector workers worried about potentially losing their jobs. In contrast, nearly all respondents worry about their children's future. Moreover, 99% of respondents stated that the special trade privileges granted to garment companies should continue. This finding aligns with smaller surveys assessing workers' sentiments regarding this issue. The 2022 UNDP study highlighted the importance of investors remaining committed to the sector and ensuring decent jobs, as workers, particularly women, have little option to diversify into other areas if jobs disappear in the garment industry.

[27] Employment in Myanmar in the first half of 2022: A rapid assessment, ILO Brief, August 2022
[28] Livelihoods Hanging by a Thread: A Survey of Garment Workers and Firms, UNDP, September 2022
[29] Discussion with Myanmar's main sex worker organisation Sex Workers in Myanmar (SWIM) confirm that a significant number of Yangon's growing number of new sex workers previously worked in factories.

Wages

Remuneration systems in factories have always relied heavily on incentive-based pay structures. In particular, bonuses and overtime are widely relied upon, not just in Myanmar but globally in the garment sector. The take-home pay of a typical Myanmar worker will be based on the minimum wage, additional bonuses, and overtime.

EuroCham Myanmar observes that a growing number of disputes are linked to wage levels and production targets. The legal minimum wage (4,800 MMK/8-hour workday) has not been raised since January 2018; its value in Euro terms is less than half of what it was then. In October 2023, the State Administration Council's National Committee for Setting the Minimum Wage announced that while the minimum wage remains unchanged at K4,800, including for the purposes of calculating overtime, employers should pay an additional daily 'allowance' of K1,000. This SAC announcement simply reflects a higher starting wage that the market had already adapted to and was poorly received by workers' organisations. EuroCham Myanmar believes that a significant increase in the minimum wage is needed to support the responsible sourcing practices that our members seek to practice in Myanmar.

Minimum wage

The primary element of a worker's salary is the minimum wage of MMK 144,000 (30 x 4800) for a typical month. (Factories are legally required to pay full-time workers based on a 30-day month, even though 1.5 days per week is given as time off).

In 2023, the labour market around factories in Yangon tightened, prompting some factories in Hlaing Thayar Township to raise base wages above the minimum wage to entice new worker applications. The SMART Factories Programme observed this to be the first market-based movement in wages since 2019. Initial increases have been almost universally between MMK 5,200 to MMK 5,600 per day.

Following the above-mentioned announcement in October 2023, it is expected that MMK 5,800 will become the norm. However, in real terms, this is well below the pre-pandemic minimum wage level and far below what could be considered a living wage.

Overtime

Overtime pay is an essential component which varies significantly. On average, 14 hours a week is typical, higher in peak season. Depending on the nature of the enterprise, the employer and employee may mutually agree on the employee working overtime in accordance with the applicable laws. Pursuant to the Overtime Guidelines issued by the Ministry of Labour, factories that wish to implement overtime work shall obtain approval from the relevant branch office of the Factories and General Labour Laws Inspection Department.[30]

There is a legal requirement for workers to give voluntary consent to overtime. Complaints of forced overtime have been reported, including in the ILO Commission of Inquiry report (see below). Still, these may not always reflect the view of the majority of the workers in the factory. Workers may welcome overtime but find it unreasonable if continuously required. Workers often actively seek overtime to boost meagre pay packets. Overtime is paid at 200%, unlike in many other markets in the

[30] Memo: Myanmar Employment Law, Luther Law Firm

SE Asia region, which calculate it as 1.5 times the base wage. Overtime is also given after the first 4 hours of work on Saturday, the only garment production hub in Southeast or South Asia where this seems to be the case (8 hours of regular work on Saturday is the norm in Cambodia, Bangladesh, Vietnam, etc.) Based on observed overtime rates, on average, a worker earns MMK 67,800 in overtime on top of their MMK 144,000 base.

Bonuses and deductions

Other elements that compose the salary are Bonuses and Deductions. Bonuses exist in many forms. The most common bonuses are attendance bonuses, productivity bonuses and seniority and sewing grade level bonuses (A+ sewer, B, C, etc.). However, many factories have special line incentives and sometimes other bonuses, like annual awards of MMK 100,000 or prizes to be won by the most competitive production lines. Ultimately, the SMART Factories Programme has found overly complex bonus systems are not helpful. Incentives that cannot be easily understood or effectively implemented do not achieve the purpose for which they were originally intended. An average sewing operator in 2023 in Yangon can expect about MMK 50,000 to MMK 150,000 in bonuses in a typical month, depending on their performance.

Compared to Bonuses, Deductions are less common, as legally allowed deductions are quite limited. The most common deduction is 2% of an employee's salary for social security contribution (employers should contribute 3%)[31]. Sometimes, factories unfairly or illegally make deductions for behavioural infractions or uniforms, which is not common and should be reported.

Total take-home pay

A typical entry-level worker take-home pay package in peak season during 2023[32] therefore adds up to MKK (144,000 + 67,800 + 130,000) X 0.98 = MMK 325,164. This calculation assumes heavy overtime work is done over 4 weeks. A similar calculation during the low season, with much less overtime, might yield around MMK 290,000.

Preliminary results from the World Bank Garment Firm Survey found that one-third (34%) of firms increased salaries or wages in 2022 compared to 2021. 57% of the firms made no change. On average, salary or wages in the garment industry increased by 5.2% in 2022 compared to 2021.

In USD terms, a typical 2023 take-home pay of around MMK 325,000 is worth just under US$100 in mid-September 2023 at – volatile - market rates (US$155 at the official Central Bank exchange rate). In comparison, in 2019, an equivalent typical take-home pay of around MMK 285,000 would have been worth about US$210 at market exchange rates (exchange rates were only fixed in 2021).

This means the average worker's salary has less than half its value in USD terms compared to 4 years ago. It is relevant, as inflation is influenced by the dollar exchange rate and its impact on imported goods. Factories/suppliers and, ultimately, buyers are being paid in foreign currency and, therefore, receiving a windfall due to kyat devaluation that appears not to be passed on to workers.

In addition to financial compensation for their labour, some factories have also extended regular or ad hoc in-kind benefits to their workers due to the pandemic, inflation and the security situation. In

[31] Note that this is capped based on the prescribed threshold salary cap.
[32] Peak season 2023 was early 2023, before the introduction of MMK 5600 in October 2023

response to increasing security concerns in industrial areas, most factories now provide 'ferry' buses to transport the workers to and from work.

Higher commodity prices globally and in Myanmar have impacted the nutrition of garment workers. Many factories provide free or subsidised rice, cooking oil, and other items and free meals. But, due to high and rising prices of many protein sources such as meat, eggs and fish, factories rarely provide these, and workers also cannot afford them, impacting their health. It is clear that higher wages are needed for a healthy and satisfied workforce.

Actions on wages by brands and suppliers

EuroCham believes buyers should work individually or collectively to raise basic wages (not including overtime or bonuses) above the legal minimum wage of 4,800MMK and an additional 1,000 MMK allowance. It aims to support them in this, including through the MADE programme.

Some buyers/brands report discussing wages with suppliers, and some have sought to negotiate higher purchasing prices for goods, with higher wages being a part of the negotiation, including through 'ringfencing' or additional and unconditional bonus schemes. Such action appears more feasible for brands with significant volumes and market power and brands producing high-value items such as outdoor wear or jackets. Smaller volume retailers without high margins and without market power seem to lack the ability to influence wages in a competitive market.

Engaging with Trade Unions and Labour Rights Defenders

The political crisis has created challenges for Myanmar's nascent trade union movement to advocate for better working conditions. Some nonetheless continue to be active despite reporting ongoing union-busting and harassment.

In the ILO's August 2022 briefing note on the organisational resilience of trade unions and civil society organisations following the military takeover,[33] nearly all organisations interviewed reported that they had not stopped their activities entirely despite the major challenges involved. However, substantial adaptations have been necessary, particularly where they would require direct engagement with the de facto authorities. As the ability to operate has been substantially impacted, trade unions and CSOs have developed important mitigation strategies to address the heightened safety and security concerns. Many of these strategies were described as a return to their operating mode under the previous military regime before 2011. This includes establishing formal and informal networks among organisations to support each other's work, share resources and allow them to operate with greater anonymity. A wide variety of activities have been continued with remote working capabilities, although there are limitations.

The ILO Governing Body established a Commission of Inquiry in March 2022 concerning the non-observance by Myanmar of the Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87), and the Forced Labour Convention, 1930 (No. 29). The report published in October 2023[34] included recommendations urge the military authorities to immediately cease all

[33] Riding out the storm: Organizational resilience of trade unions and civil society organizations following the military takeover in Myanmar, ILO Brief, August 2022

[34] Press release on ILO Myanmar Commission of Inquiry, October 2023. Although primarily focused on the state, findings related to the private sector are covered in paras 444-469 (freedom of association) and paras 505-513 (forced labour).

forms of violence, torture and other inhumane treatment against trade union leaders and members; to release and withdraw all criminal charges against trade unionists detained in relation to the exercise of their civil liberties and legitimate trade union activities; and to fully restore the protection of basic civil liberties suspended since the coup d'état. The recommendations also urge the military authorities to end the exaction of all forms of forced or compulsory labour by the army and its associated forces and forced recruitment into the army. The report of the Commission of Inquiry has been sent to the Permanent Mission of Myanmar in Geneva; Myanmar has three months to respond.

Feedback from labour organisations and unions on working conditions in the garment sector reveals a mixed picture, with some supplier factories operating to much better standards than others. They highlight the importance of close monitoring by brands of working conditions in supplier factories, including security, pay, respect for freedom of association and the need for rapid intervention in response to grievances. Some brands already operate hotlines or worker engagement apps to monitor conditions; others are considering introducing this. Unauthorised subcontracting is also regularly observed when labour groups identify labels in factories which brands claim are not their authorised suppliers. Supplier disclosure by brands enables labour groups to identify cases of subcontracting, and also bring problems in disclosed facilities to the attention of brands.

EuroCham Myanmar strongly supports the right of worker representatives as set out in ILO Convention No 87 on the Freedom of Association and Right to Organization, which Myanmar has ratified. Furthermore, the EuroCham Garment Advocacy Group has since April 2023 embarked on a regular dialogue with one of Myanmar's main trade union federations, the Myanmar Industries Crafts and Services Trade Unions Federation (MICS-TUsF), focussed on increasing member companies understanding of conditions for workers, and how brands can support effective grievance redress.

This is one element of EuroCham Myanmar's support to its member companies to conduct ongoing and heightened human rights due diligence in accordance with the UN Guiding Principles on Human Rights. Human rights due diligence is increasingly a legal requirement in many European countries. Human rights due diligence includes remedying grievances which occur in coordination with factories and workers and their representatives. If workers are denied freedom of association - which may include their choosing to register and join trade unions under Myanmar law - this also makes it harder for companies in the apparel sector to conduct human rights due diligence.

Mapping Potential Connections to Myanmar's Military

EuroCham Myanmar encourages businesses operating in Myanmar to engage in heightened human rights due diligence, including a conflict analysis, focussed on the impacts of the conflict on the human rights impacts which a business causes, contributes or is linked to, including any connections and interfaces with the military or other armed groups.

Areas identified as potential areas where linkages exist between the garment sector and the military include but are not limited to, ownership. They can also relate to the way a facility interacts with local public security. An example is the Hosheng Myanmar factory case in June 2023, where local factory management invited the local military into the factory to intimidate workers engaged in a peaceful sit-in to demand reinstatement of their elected representatives. Examples like these underline the importance of brands communicating directly to facility management on the need to minimise or avoid all interaction with public security forces.

Factory Ownership

Two military-owned conglomerates were featured in the UN's Independent Fact-Finding Mission report:[35]

1) Myanmar Economic Holdings Ltd (MEHL) is a public company whose shareholders are active and former members of the military and
2) Myanmar Economic Corporation (MEC) is an enterprise owned by the Tatmadaw, Myanmar's military.

Ownership of export-oriented apparel factories has never been an attractive area for activity by the Tatmadaw (army) or its companies, Myanmar Economic Holdings Limited and Myanmar Economic Corporation. Amnesty International's September 2020 report[36] identified that there were two garment factories identified as joint ventures between MEHL and Korean companies:

- Myanmar Inno International, a JV (Inno Co Ltd 55%: MEHL 45%) garment manufacturer specialising in outerwear. As MEHL is a direct shareholder, engaging in sourcing relations with this factory would be a clear violation of EU/US sanctions for this company. It does not appear on the Open Apparel Registry, suggesting it does not supply major European brands.[37]
- Myanmar Wise-Pacific Apparel responded to the United Nations' Independent Fact-Finding Mission (FFM) and Amnesty reports by terminating the JV with MEHL in 2020, which is now a 100% Korean-owned company: Wise-Pacific Apparel Yangon Company Ltd.[38] Even before the imposition of EU, UK and US sanctions on MEHL after 1 February 2021, the UN FFM report had prompted the limited number of Western brands sourced from Wise-Pacific to exit.

The restructuring of the Wise-Pacific joint venture, with the exit of MEHL, therefore, means there is only one consumer-focused garment company in Myanmar with a (minority) MEHL shareholding.[39]

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[35] The Economic Interests of the Military, Independent Fact-Finding Mission to the UN, 2019
[36] https://www.amnesty.org/en/documents/asa16/2969/2020/en/
[37] It has not been possible to contact Myanmar Inno International who also provided little information to Amnesty International in 2020. There is no English language information about their garment factory, but the Korean language page for company's Pyinmabin facility shows brands for which it may (have) manufactured.
[38] According to the company (November 2021) and DICA extracts, Wise-Pacific Apparel Yangon Company Ltd is now a 100% Korean owned company, now called EO Yangon Co Ltd. This operates the facility in Pyinmabin IZ. There is also EO Bago which operates the facility in Inndagaw IZ. Both are owned by EO Company Ltd incorporated in Korea.
[39] The Tatmadaw owns factories producing military uniforms, but these are not relevant to the export sector.

The military's ownership interest in garment facilities is, therefore, 0.1% of the approximately 800 apparel, shoes and luggage factories.

Other limited connections between the garment sector and MEC and MEHL relate to their involvement in three **industrial zones** where garment factories are located and their presence in the **port** sector.

Industrial Zones

The UN's Independent Fact-Finding Mission report from August 2019 on the economic interests of the military identified three industrial zones in Yangon with connections to MEHL. Two of these (Pyinmabin and Inndagaw) are owned by MEHL, to whom factories appear to pay rent; one (Ngwe Pinlae) was developed by MEHL and tenants, in principle, pay an annual management fee to MEHL.

From an EU sanctions perspective, there is no presumption that payments made to the garment factories in these zones would violate EU sanctions. However, operators (companies) should make thorough due diligence checks to ensure their compliance obligations under applicable EU sanctions (as well as US/UK sanctions)[40].

Pyinmabin Industrial Zone, located in Mingaladon Township, Yangon

Pyinmabin IZ is owned by MEHL. Other than the factory Myanmar Inno International, which has a direct link to MEHL as a JV between MEHL and a Korean company, there are some garment factories established in Pyinmabin IZ that, due to their location there, have links with MEHL through payment of rent to MEHL.

Inndagaw Industrial Complex, located near Bago.

Inndagaw Industrial Complex, in Bago Region, north of Yangon, is a smaller zone. The zone's land is also owned by MEHL, which acquired it from the Ministry of Industry in 2007 and obtained a 30-year grant from GAD/Home Ministry in 2016, for which they pay an annual rent. These factories lease the land from MEHL and pay them rent, as factories located in Pyinmabin do.[41]

Ngwe Pinlae Industrial Zone, located in Hlangthayar Township, Yangon

Most factories in Ngwe Pinlae IZ are large, new facilities which, at total capacity, would employ around 25,000 workers. The Ngwe Pinlae IZ has a different set-up than the other two, MEHL-linked, industrial zones. MEHL does not own the land in the Ngwe Pinlae[42] Industrial Zone but was involved only as a Zone Developer for Ngwe Pinlae Industrial Zone in 2008/9. As in many other IZs, the land was directly leased by individual Myanmar businesspeople from the Department of Urban Housing and Development on long-term renewable leases. Unless they used the plots for their own facilities, most of these individuals have sold the leasehold to another Myanmar businessperson or leased it to foreign-owned factories on long-term leases. [43]

MEHL's role as Zone Developer is now to administer the zone as the Management Committee; this includes – in principle – providing maintenance, waste management and security for which the

[40] With regards to EU sanctions, more information can be found in the dedicated Commission guidelines.
[41] See MEHL letter of March 2017, and Home Ministry letter of 8 April 2016 in the MIC Files documents concerning Amity Lingerie Factory. Amity signed a 50-year lease with MEHL in 2017 for a 12,582sqm (3.1 acre) site at $117,040 p.a.
[42] Meaning Silver Sea, and variously spelt Ngwe Pinlae, Ngwe Pinlae and other alternatives.
[43] Foreign investors need to obtain an Endorsement from Myanmar Investment Commission (MIC) for leases of more than a year. See for example, documents submitted to MIC related to Guotai Guohua Factory (plot 48), and Golden Tri-Light Bags Factory (plot 4).

Myanmar lessee pays them an annual fee. Draft leases suggest that responsibility for payment of Zone management fees usually stays with the original Myanmar lessee (i.e., the Myanmar individual leasing to the foreign investor).

Some due diligence by buyers identified fees as having been paid to the Management Committee, while some did not.[44] This inconsistency may reflect the factory not being aware of or involved in paying Zone Management fees, as they are usually the Myanmar landlord's responsibility. There may also be inconsistencies if the current Myanmar landlord from whom the factory has rented the land is not actually the registered owner according to DUHD; this may occur if the landlord fails to register their purchase of the IZ plot lease with DUHD, possibly to avoid paying the relevant land registration fees and taxes.[45] Tenants may default on paying fees, as happens in some other IZs, particularly if they consider the respective IZ Developer/Management Committee is not providing services. Enforcement powers against default are weak. The 2020 Industrial Zones Law was intended to address some of these problems.

It should also be noted that even if the approximately 20 factories in Ngwe Pinlae IZ paid US$400 per annum to MEHL, this would only amount to US$8,000 per annum for the entire zone. Such a sum would unlikely cover the costs of providing the services that MEHL are meant to provide. Running the IZ is, therefore, unlikely to represent a material revenue stream for MEHL and may even be loss-making.

Based on contacts with brands, several had already opted to exit the limited number of supplier relationships linked to the two zones where MEHL is the landlord of the factory before 1 February 2021 and subsequently. Some are finishing a planned shift of operations to other facilities in Myanmar, with some companies having a clear target to move all operations on or around September/October of 2023. Brands which were identified as having sourced from a factory in the Ngwe Pinlae Industrial Zone have indicated to EuroCham Myanmar that after a review, they have embarked on an exit process, aiming to do so responsibly and to switch sourcing and jobs/workers to other production facilities in Yangon, including with the same supplier.

[44] A letter from H&M to the UN Fact Finding Mission identified an annual payment by one tenant of 400 USD. Due diligence by Bestseller concerning their (different) suppliers found no evidence that they made any payments.
[45] Research for this Factsheet turned up at least one example of this.

Ports

Of the six main ocean container terminals in Yangon, those on land with connection to the military conglomerates MEC and MEHL are:

MEC-connected:	1). Ahlone International Port Terminal 1
	2). (planned) Terminal 2 (from which Adani recently withdrew).[46]
MEHL-connected	1). Bo Aung Kyaw Terminal/TMT Port
	2). Container Transport and Port Clearance Yard (Ywama)
	3). Hteedan Port (Kyeemyindine)

Not all of these are suitable for shipping companies committed to international safety standards, and there is no evidence that European shipping lines or freight forwarders are using any of these ports for transporting garments or other goods.

Within Yangon City, Myanmar Industrial Port (MIP) and Asia World Port Terminal are the two container ports not connected to the two military conglomerates. Further downstream, Thilawa port, close to the Special Economic Zone, has two container terminals, neither of them connected to MEC or MEHL. These are Myanmar International Terminal Thilawa (MITT), owned by Hutchison Port Holdings and operated by the private Hong Kong-based Myanmar International Terminal Thilawa company, and Thilawa Multipurpose International Terminal (TMIT), a new terminal with mainly Japanese shareholders that became operational in May 2019.[47]

MAERSK, CMA-CGM, and Mediterranean Shipping Company (MSC) – all three EuroCham Myanmar members - are the three leading European shipping companies that service the export-oriented garments sector in Myanmar. Other European logistics companies, such as DB Schenker, DSV, Bollore, Rhenus, etc., are the freight forwarders who would use the services of these shipping lines.

According to the list of container vessels calling at ports in June 2023,[48] MAERSK has a leading position in the market, with 10 vessels per month. In 2020, MAERSK decided to consolidate all Myanmar-bound port calls at the Myanmar International Terminal Thilawa (MITT) and Myanmar Industrial Port (MIP) terminals, both privately owned and neither owned by the military.[49] Myanmar International Terminal Thilawa (MITT), owned by Hutchison Port Holdings, and Myanmar Industrial Port (MIP), owned by Myanmar Annawa Swan-er-shin Group. Both MAERSK and CMA-CGM currently use these two terminals. Mediterranean Shipping Company (MSC) is using Asia World Port Terminal (AWPT), developed, managed, and operated by Asia World Port Management Co. Ltd, a subsidiary company of Asia World Co. Ltd. All other non-European vessel lines are either using MITT/MIP or AWPT. Monthly available vessel lists show that the Adani Yangon International Terminal (AYIT), on MEC land [50] , was used by two companies last in April 2023[51]. Yet, both Vasi and Gold Line do not have relevance for trade with the EU as they call into Bangladesh/India and are not known or used by any European freight forwarders. The vessel lists from May until September 2023[52] show that no logistics companies use the AYIT.

[46] India's Adani Ports scraps Myanmar container terminal plans, Reuters, 27 October 2021
[47] https://www.kamigumi.co.jp/english/news/2019/000193.html
[48] Container vessels scheduled list for June 2023
[49] Shipping Giant Maersk to Stop Using Military Ports in Burma, Burma Campaign, 8 October 2020
[50] Adani Ports yet to find a buyer for sanctions-hit Myanmar terminal, ETInfra, 20 March 2023
[51] Container vessels scheduled list for April 2023
[52] http://www.mpa.gov.mm/announcements/container-vessels-scheduled-list-for-september-2023/#announcements

Initiatives to Improve the Sustainability of the Garment Sector and Support Workers

Several initiatives have historically been pursued in the garment sector to improve social, environmental and safety standards in supplier factories, build workers' skills, and strengthen industrial relations. Development partners and companies have funded these programmes. However, to be sustainable, they need to be supported by ongoing access to markets which place a value on garments, apparel and luggage produced to international standards. Current initiatives include:

- Multi-Stakeholder Alliance for Decent Employment in the Myanmar apparel industry (MADE in Myanmar) project is funded by the European Union and co-funded by private sector retailers. The MADE project aims to strengthen economic resilience and transparency practices across the Myanmar apparel industry, support worker access to functional and credible grievance mechanisms at both factory and, eventually, industry level, promote industry best practices with regards to occupational safety and health, social compliance, and environmental management, facilitate and nurture dialogue between employers, workers, and international stakeholders, and provide enhanced support to women workers to advance their positions and standing in the workforce.

  The three components of MADE include:

  - The SMART Factories Programme focuses on social compliance and environmental performance in the Myanmar textile, clothing and footwear industries, especially occupational safety and health, conformance with UN Guiding Principles on Business and Human Rights, and international retailer codes of conduct. The SMART Factories Programme employs qualified trainers, social and environmental auditors, electrical and textile engineers and a medical doctor. Since 2016, the SMART Factories Programme has worked with over 400 factories across the sector to improve standards conformance via management systems-focused advisory support. As SMART Factories continues under the MADE project, several hundred more factories are targeted for workshops and technical on-site advisory programmes.
  - The Forum on Supply Chain Conduct is intended to promote and nurture cross-sectoral dialogue between business associations, trade union federations, labour rights groups, and international retailers for the benefit of workers in the industry and more responsible industrial development.
  - The Centres for Advancement of Women supports two Women's Community Centres to provide special outreach and educational and social support to women workers, mainly young migrants. A nutrition helpdesk offers intensive support for pregnant workers and young mothers in the sector and coordinates sexual and reproductive health counselling.

  A growing number of European brands operating in Myanmar are now covered by MADE in Myanmar project, approximately half of European buyer orders sourced from Myanmar are covered under the MADE project's enterprise advisory services. By October 2023, a total of 21 European retailers sourcing from Myanmar have joined the Alliance, signing up to heightened commitments on human rights, due diligence, transparency and other issues, with additional brands expected to join.

- The United Nations Office for Projects Services (UNOPS)-managed Livelihoods and Food Security Fund (LIFT) aims to strengthen the resilience and sustainable livelihoods of poor households in Myanmar by helping people reach their full economic potential. LIFT's Decent Work and Labour Mobility Programme was established as a core thematic area to contribute to the protection of labour rights for building a foundation for decent work in Myanmar. In 2019, LIFT and partners launched the "Safe Migration for Decent Work in Peri-urban areas of Yangon (SECURE)" project to support migrant workers – primarily women pouring into Yangon's garment industry from all across Myanmar – to enhance their knowledge on safe migration, labour rights and gender-based violence (GBV) while gaining competencies and skills for gainful employment. The project uses the Women's Cafe as a safe haven where women garment workers can meet and discuss their problems at work and learn more about their rights through training, games and peer counselling.

- Step-in-Step-Up
  Step-in-Step-Up (SISU) prepares local youth in Myanmar for entry-level jobs. Located in Hlaing Thar Yar township in Yangon, where many garment factories are present, the NGO provides vocational training programs tailored to the needs of the local job market. SISU strives to enhance employability and self-reliance.

Transparency and Accountability Initiatives

- Open Supply Hub
  Open Supply Hub (OS Hub) is an accessible, collaborative supply chain mapping platform used and populated by stakeholders across sectors and supply chains. It lists over 500 facilities in Myanmar, which currently or previously have produced for major exporting markets, especially for European/North American buyers. Open Supply Hub (OS Hub) exists to improve human rights and environmental conditions in and around factories and facilities by opening up supply chain data as a free public good.

- Business & Human Rights Resource Centre
  BHRRC offers a company response mechanism for allegations on labour and human rights. BHRRC track and monitor the allegation based on media reports. Where media reports include an allegation of human rights abuse linked to a company that has not been invited to respond within the article, BHRRC gives the company a right to reply before putting it up on the website. BHRRC also reaches out to ask for more information on specific allegations of abuse: asking companies to confirm whether the allegation is linked to their supply chain and asking them to provide more information on the allegation, including any investigations or remedies for workers.
  The Myanmar Garment Allegation Tracker, published by BHRRC, show this work, with a two-review report published in August 2023[53]. Inputs for this report were taken up to the end of February 2023.

[53] BHRRC Myanmar Garment Allegations Tracker, update 8 September 2023

Website and pages on social media

Several relevant websites and pages tracked the issues the garment workers face, such as Myanmar Labour News, Solidarity of Trade Union in Myanmar pages, etc.

- Myanmar Labour News (Facebook and website) is the most active source of labour rights news, with daily reports of factory level issues, informed by trade unions and factory workers. Their reports should be followed up to verify the full picture, since they tend to rely on labour sources only.

Conclusion

The EuroCham Garments Advocacy Group believes it is possible to undertake ongoing heightened human rights due diligence in the garment sector and to source and ship garments – and other commodities and manufactured products - from Myanmar without interacting with the military-owned conglomerates MEC and MEHL.

The data above shows that the garments, footwear and baggage sector is not a sector from which the military derives significant income. MEHL has a minority ownership interest in only one factory out of 800 in the sector, and this one factory (Myanmar Inno) does not supply any brand which is a member of EuroCham and/or publishes its supplier lists.

To the extent that MEHL derives any material income from the garment sector, this is due to rent from around seven garment factories in the two Industrial Zones it owns, Pyinmabin and Inndagaw. Most identifiable brands have avoided or exited these factories. The third zone, Ngwe Pinlae IZ, which is only managed by MEHL, does not constitute material income for MEHL since the sum total of management fees which MEHL can collect from Myanmar leaseholders in the zone with garment, shoes and luggage factories is likely to total less than US$8,000 per annum. Many brands have exited this zone because of the reputational risk, but their exit has not impacted MEHL's income.

Due to its structure, the garment sector is also not a significant source of tax revenue for the military. It is, however, a very significant source of formal employment, particularly for women (estimated at around 10% of Myanmar's female workforce). Given its size, the garment sector significantly contributes to resilience in Myanmar for the poor and vulnerable groups., including migrant workers. As reported by the International Food Policy Research Institute in its report, "Livelihood Resilience and The Agrifood System in Myanmar"[54], high rates of inflation, especially food price inflation, have resulted in dietary degradation across all household groups, especially those dependent on casual wage labour.

In the current situation, it is more essential than ever that all those who source from Myanmar focus on ensuring decent work for all workers in their supply chain, including safety, improvements in wages, and freedom of association. EuroCham Myanmar members are committed to supporting progress on this and working with like-minded actors in the sector who share our commitment.

[54] Livelihood Resilience and The Agrifood System in Myanmar, by International Food Policy Research Institute, August 2023

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