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Foreign Capital and Garment Export from Myanmar: Implications for the Labour Process

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Abstract: This paper examines the impact of foreign capital inflows on employment, wages and skills, in the export-oriented garment manufacturing sector of Myanmar. The paper argues that global developments driven by the World Trade Organisation have stimulated foreign capital inflows into Myanmar in export-oriented labour-intensive industries such as garment manufacturing. Despite a rise in exports to countries such as Japan, the paper provides evidence to show that international economic and political isolation and poor infrastructure have left Myanmar's workers vulnerable to the vicissitudes of capitalist exploitation. Women particularly face a highly uncertain future as the poor working conditions include very low wages, little exposure to training and transient work. It is clear that the host-government is the critical agent here to ensure cohesive integration in the global economy as well as to provide the basic infrastructure and the bargaining power required to leverage improvements in working conditions of garment workers in Myanmar.

Keywords: employment, exports, foreign capital, garments, Myanmar, skills, wages

JEL Classifications: J31, J61, J81, L67

1. Introduction

This paper takes its cue from the introduction to this issue, to examine how the termination of the Multi-Fibre Agreement (MFA) has offered opportunities for, as well as, how economic sanctions by the United States and the repressive nature of national political governance has affected wages and working conditions of, garment workers in Myanmar. While preferential access enjoyed by several developing countries ended with the closure of the MFA in 2004, preferential access remained for the Least Developed Countries (LDC) and hence countries such as Myanmar suddenly saw tremendous opportunities to break into and move up the garment global value chain by particularly attracting foreign capital (Rasiah, 2009). Although garment manufacturing has a long history in Myanmar the industry since the late 1990s has been dominated by the integration of the country into global production networks driven by demand from the developed countries.

However, the United States government imposed economic sanctions in 2003 to ban the import of garments from Myanmar. Demand for Myanmar products also began to fall in Europe as a consequence. Increased exports to other countries with Japan leading the way has helped prevent its total collapse.

Under circumstances of poor but authoritarian political leadership, poor basic infrastructure and isolation from important markets abroad, the labour force in Myanmar has been subjected to severely restrictive management practices. Large reserves of unemployed labour arising from its large population and serious demand constraint problems (lack of employment creation opportunities) has forced Myanmar workers to accept wages lower than even landlocked LDCs such as Laos. It is in this context, that this paper seeks to examine the impact of export-oriented garment manufacturing on employment, skills and wages in Myanmar.

The rest of the paper is organised as follows. The next section discusses the role of foreign direct investment on the nature of specialisation that has evolved in Myanmar. A focused review of the main arguments on the role of foreign capital and export manufacturing is next. Section four presents the methodology and data to anchor the analysis of the garment labour process undertaken in section five. The conclusions are presented in section six.

2. Foreign Capital and Garment Exports

Myanmar launched the Formulating and Implementing Plan to generate economic growth through the promotion of private sector participation and foreign investments over the period 1989-91. Myanmar has since implemented short- and long-term socio-economic development plans and a number of reforms to foster economic openness in the 1990s. Liberalisation was begun with efforts to reduce public procurement and restrictions by private sector investors. Foreign exchange transactions were approved and incentives were introduced to attract foreign investors.

The Foreign Direct Investment (FDI) law was enacted in November 1988 with the aim of attracting foreign capital into the country. Although the early years of the law did not witness much inflow, Myanmar's integration with the rest of the world through the Association of Southeast Asian Nations (ASEAN) Free Trade Area (AFTA) process from the second half of the 1990s saw a significant influx of foreign capital into manufacturing especially. Foreign investors are entitled to enjoy one or all of the following exemptions (Myint, 2011):

i. Exemption or relief from income tax on reinvested profits within one year.
ii. Accelerated depreciation rates approved by the Myanmar Investment Commission.
iii. 50 per cent relief from income tax on profits from export earnings.
iv. Right to pay income tax on behalf of foreign experts and technicians employed in the business, and the right to deduct such payment from assessable income.
v. Right to pay income tax on the income of foreign employees at the rate applicable to Myanmar citizens.
vi. Right to deduct Research and Development expenditure from the assessable income.
vii. The right to carry forward and set off losses up to three consecutive years from the year the loss is sustained.
viii. Exemption or relief from customs duty, other internal taxes or both, on import of machinery and equipment for the use of business during the construction period.
ix. Exemption or relief from customs duty, other internal taxes or both, on imported raw materials from the first years of commercial operation after completion of construction.

Despite the generous nature of these incentives and large reserves of labour in Myanmar, FDI inflows slowed down dramatically when the Asian financial crisis struck in 1997-98 and subsequently when ties with the United States cooled off culminating in the imposition of economic sanctions in 2003 (Table 1). The political and economic risks, inconsistent government policy measures, poor infrastructure, an unstable financial market and multiple exchange rates were also restricting FDI inflows. There has been some resumption of FDI inflows from 2006 with inflows from Thailand and subsequently from other Asian countries seeking to develop the power, oil and gas, and garment manufacturing industries. As of January 2009, the power, oil and gas, and manufacturing industries accounted for 40 per cent, 21 per cent and 10 per cent of overall foreign investment in Myanmar (Table 2).

Table 1: Approved Foreign Direct Investment by Country, Myanmar, 1989-2008 (US$ million)

Sr No.	Sector	Foreign Capital to be brought in	1989-90 to 1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
1	Australia	82.08	30.01	10.01	42.02										
2	Austria	72.50	71.50	1.00											
3	Bangladesh	2.96	2.96												
4	Brunei Darussalar	2.04								2.04					
5	Canada	39.78	25.03	7.50	5.30			0.50			1.45				
6	China	475.44	5.65	23.11	0.50	2.66		28.98	3.25		2.82	126.55	0.70	281.22	
7	Cyprus	38.25					5.25								33.00
8	Denmark	13.37	13.37												
9	France	470.37	465.00	5.37											
10	Germany	17.50	251.45	15.00											2.50
11	Hong Kong	504.22	64.44	338.50	56.88	8.03	5.74	13.23	1.52	12.88	3.00				
12	India	219.58				4.50							30.58	47.50	137.00
13	Indonesia	241.50		210.95	25.42	1.05	1.38	1.20	1.50						
14	Israel	2.40			2.40										
15	Japan	211.63	119.87	47.15	26.85	8.91	1.45		4.69			2.71			
16	Macau	4.40	2.40					2.00							
17	Malaysia	660.75	227.27	235.10	124.80			9.83	1.50	62.25					
18	Panama	29.10			30.53	-) 1.425									
19	Philippine	146.67	6.67		140.00										
20	R.O. K	243.31	63.59	9.04	29.70	0.24	4.32	47.22	5.00	0.30	34.90			37.00	12.00
21	Singapore	1,520.21	492.98	608.66	270.61	14.21	4.74	36.92		6.10				81.00	5.00
22	Sri Lanka	1.00	1.00												
23	Switzerland	3.38								3.38					
24	Thailand	7,391.84	421.12	605.69	210.36	10.79	16.50	25.75			22.00	29.02	6,034.40		16.22
25	The Netherlands	238.84	83.00	154.84		1.00									
26	U. K	1,860.95	900.46	539.79	47.55	4.43	15.13	52.06	1.55		27.00			272.98	
27	U. S. A	243.57	241.07	2.50											
28	Viet Nam	3.65					3.65								
	Total	14,741.28	3,237.38	2,814.25	1,012.92	54.40	58.15	217.69	19.00	86.95	91.17	158.28	6,065.68	719.70	205.72

Source: Compiled from unpublished data, Ministry of National Planning and Economic Development, Myanmar, 2010.

Table 2: Foreign Direct Investment by Sector, Myanmar (as of 31 January 2009)

Sector	No.	Approved Amount (US$ million) (US$millions	%
Power	2	6,311.22	40.14
Oil and Gas	85	3,357.48	21.36
Manufacturing	154	1,624.64	10.33
Real Estate	19	1,056.45	6.72
Hotel and Tourism	44	1,049.56	6.68
Mining	60	1,395.89	8.88
Livestock & Fisheries	25	324.36	2.06
Transport & Communication	16	313.27	1.99
Industrial Estate	3	193.11	1.23
Construction	2	37.77	0.24
Agriculture	4	34.35	0.22
Other Services	6	23.69	0.15
Total	418	15,721.79	100.00

Source: Myint (2011:15)

The top three investors in Myanmar in 2009 were Thailand (50 per cent), the United Kingdom inclusive of enterprises incorporated in British Virgin Islands, Bermuda Islands and Cayman Islands (13 per cent) and Singapore (10 per cent). Although manufacturing attracted only 10 per cent of total FDI, it contributed 21.7 per cent of GDP and employed 11 per cent of the labour force in the fiscal year 2008-2009. While most export commodities are resource-based products, manufactured products have emerged as a potentially significant sector. Like many resource-rich LDCs, natural gas (38.4 per cent), agricultural products (18.3 per cent), and forest products (6.8 per cent) were the main exports, while imports were constituted by capital (30 per cent), intermediate (32.5 per cent) and consumer (37.5 per cent) goods (MOC, 2011). Garment exports rose to a peak of 29.7 per cent in 2000-01 but economic sanctions since lowered its contribution to overall exports, to 4.3 per cent in 2008-09 (Table 3).

Table 3: Principal Exports, Myanmar, 1990-2009 (%)

S.N	Commodity	1990-91	1995-96	2000-01	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009
1	**Agricultural Products**	**31.80**	**46.02**	**18.15**	**17.63**	**14.07**	**16.59**	**10.95**	**12.28**	**13.31**	**13.26**	**15.53**
2	Animal Products	0.17	0.14	0.29	0.25	0.11	0.09	0.10	0.10	0.06	0.06	0.07
3	Marine Products	5.57	12.19	7.33	5.03	5.59	6.84	6.20	5.56	4.52	4.68	4.06
4	Timber	33.73	20.78	6.30	10.97	9.38	14.51	13.43	13.32	9.79	8.40	5.97
5	Base Metal and Ores	2.43	1.39	2.54	1.68	1.41	2.41	3.28	3.13	2.13	1.35	0.48
6	Precious and Semi-precious Minerals	2.90	2.72	2.85	0.74	1.25	2.53	3.69	6.58	7.43	10.08	9.72
7	Gas	-	-	8.72	24.79	29.66	24.63	34.81	30.20	38.89	39.49	35.10
8	Garment	0.27	5.95	29.72	17.42	14.91	13.92	7.41	7.68	5.34	4.41	4.30
9	Other Commodities	23.13	10.82	24.09	21.48	23.61	18.47	20.13	21.15	18.55	18.28	24.77
	Total Exports	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

Source: Compiled from Ministry of National Planning and Economic Development (MNPED), Government of the Union of Myanmar (2010).

As part of the government's plan to promote economic expansion, industrial zones were established since 1991, starting from the adjacent areas of Yangon and Mandalay. The Myanmar Industrial Development Council (MIDC) was formed on 18 July, 1995 comprising government ministers and deputy ministers from various ministries. A total of 21 industrial zones were established across the country as of December 2006 and 9,915 enterprises are operating in these zones. Establishment of industrial zones was a significant turning point and an important step for industrial development (Table 4). As a consequence, Myanmar's manufacturing value-added grew to account for slightly over 21 per cent of GDP in 2009-2010. The main manufacturing activities are related to the processing of natural and agricultural resources, but garment manufacturing can potentially make a strong comeback if the country becomes politically stable (MNPED, 2010).

Table 4: Breakdown of Industries by Categories, Myanmar, 2006

Categories	Number
Industries with Industrial Zone privileges	21
Industries operating in Industrial Zones	9915
Private industries	43374
Cottage industries	8595
State-owned industries	799

Source: Compiled from Chronicle of National Development, Myanmar, 2007.

The development of the garment sector was initiated in 1989 after the military government began to transform the socialist planned economy to an open market economy. The enactment of the Foreign Investment Law in November 1988 attracted foreign firms to investment in Myanmar including the garment sector with FDI inflows increasing steadily for a decade.

The turning point in garment manufacturing took place with the abandonment of isolationist policies from 1989, though private garment firms began to operate only from 1994 with 25 factories. The pioneering foreign firm from South Korea was followed by firms from Taiwan and Hong Kong after 1997. The establishment of these firms not only motivated major buyers to take advantage of Myanmar's LDC quota, but were also motivated by the growth of domestic firms engaged in export markets. With more buyers looking into Myanmar, national entrepreneurs were able to set up small, medium and even large operations to supply niche high volume and labour intensive products. A large proportion of foreign garment firms use national subcontractors in order to meet stiff deadlines. The number of firms engaged in the export sector rapidly increased to almost 300 firms in 1999.

The Myanmar Garment Manufacturing Association (MGMA) estimated that about 400 garment firms or factories existed at the peak of the industry around 2000-01, which included about 100 small factories with less than sewing machines and specialised in subcontracted works. The total employment in the garment industry was estimated at around 135,000 persons in 2001.

With the government under pressure from the United States and Europe for human rights abuse, garment manufacturing in Myanmar began to face serious problems from the early 1990s. Although the foreign firms survived through their international networks, local firms faced severe difficulties in securing orders. As a result, the majority of domestic firms and only some of the foreign firms shut down operations. However, orders from the latter also contracted. It was estimated that about 70-80,000 workers were laid-off from the industry. To make matters worse, the government imposed formalised controls over exports and imports. Consequently, the business environment facing garment manufacturers engaged in exports and imports became bureaucratic and time consuming.

The abundant supply of labour made cut, make and pack (CMP) operations ideal in Myanmar as it required the commitment of small fixed assets and lowered relocation risks. However, such moribund operations retained the footloose elements of foreign firms without any focus on improving workers' skills and product quality. While Myanmar is currently competing in the production of garments, its productivity is still low by international standards primarily due to inadequate infrastructure and industrial policy practices (Rasiah, 2009). The existing political and macroeconomic environment actually discourages any incentive for firms to raise firm-level productivity and international competitiveness.

Myanmar's main garment export targets were the United States, European Union and East Asia before the US imposed economic sanctions in 2003. The United States more than doubled its imports from US$185.7 million in 1999 to US$403.5 million in 2000 (Myint, 2011: Table 2.8). The United Kingdom is the second largest buyer followed by Germany. Fortunately for Myanmar the fall in exports to the United States has been somewhat offset by a rise in exports to Japan. Garment exports to Japan in dollar value terms increased threefold from 2003 to 2007 (Table 5). Exports to Japan accounted for 0.5 per cent of total garment exports, but this share rose to 4.3 per cent in 2003 and 34.4 per cent in 2007.

Table 5: Garment Exports, Myanmar, 1997-2009 (US$ million)

Year	Total Exports	Exports to Japan
1997	189.8	1.1
1998	257.2	2.3
1999	369.1	2.1
2000	745.5	4.6
2001	829.0	7.5
2002	668.5	15.0
2003	661.8	31.2
2004	547.4	44.3
2005	312.4	52.6
2006	280.0	71.0
2007	282.0	97.0
2008-2009	292.45	NA

Source: Compiled from MGMA, 2010.

3. Theoretical Considerations

Taking cue from the first paper in this issue (Rasiah, 2012) we address two sets of arguments based on empirical evidence on the growth of garment manufacturing in the developing countries. The first set works from the premise that if foreign capital flows within the framework of liberalisation it will ensure optimal allocation of resources and the relocation of economic activity on the basis of factor endowments and relative prices (Bhagwati, 1988). The second argues that foreign capital inflows into the developing countries under a liberalising environment will be dominated by capital and hence, exploitative for labour (Arighi, 1975). While the first set presents liberal flows of foreign capital as a boon the second pictures it as a bane for developing countries. This section reviews the empirical evidence from East and Southeast Asia.

Following neoclassical arguments for fragmenting production on the basis of factor endowments and dispersing it across the globe on the basis of relative prices, governments were encouraged by the United Nations and the World

Bank to develop export processing zones where the requisite infrastructure and security can be provided to attract foreign multinationals to participate especially in light export-oriented manufacturing activities. In the 1960s and 1970s, the initial process of incorporation drove the absorption of unskilled employment in Korea, Taiwan, Singapore, Malaysia and Philippines (Muto, 1977; Lim, 1978).

On the positive side, neoclassical economists used evidence of rising employment and exports to justify the positive role of foreign manufacturing operations (Ariff, 1991), but on the negative side, there have been extensive accounts of super-exploitation in which workers with higher wages in home countries were replaced with workers with low wages at host sites (Fröbel *et al*., 1980; Jomo, 1986; Limqueco *et al*., 1989). Radical accounts that differed from super-exploitative accounts were rare and applied to the specificity of industries where technical change to automation and knowledge-based activities (Rasiah, 1988, 1993). While acknowledging the problems of low wages and deplorable working conditions, Rasiah (1993) argued that the evolving labour process in modernising electronics and textile factories was actually improving working conditions and wages compared to the alternative faced by the peasantry under feudal conditions and workers under oppressive backyards characterised by stagnant technologies in Malaysia.

In addition, the accumulation process in developing sites, including in Southeast Asia, have often been undermined by poor or corrupt host government policies thereby allowing self-expansionist foreign capital to establish alliances with intermediaries who themselves bring little benefits to workers at host sites (Jomo, 1986; Rasiah, 1988). An example of a recent development is the extension of corporate social responsibility practices to the developing countries. Although Rasiah and Chong (2011) demonstrated the influence of developed markets in driving improvements in social and environmental practices among suppliers in electronics firms in Malaysia, typical of evolutionary discoveries its replication may be difficult in other locations. Barrientos (2008: 977) argued convincingly that corporate social responsibility (CSR) advocacy while allowing civil society organisations to pressure improvements on working conditions facing workers, simultaneously also exposes the vulnerable workers to abuse. Given the repressive political environment in Myanmar workers can be expected to enjoy little democratic space to contest issues in their relations with the managers of capital.

4. Methodology and Data

Consistent with evolutionary approaches (Nelson, 2008), we carried out a brainstorming session with the Myanmar Garment Manufacturing Association

(MGMA) officials and five pilot firms to understand the specificity of garment manufacturing operations before investigating the impact of foreign capital in garment manufacturing on employment, skills and wages in Myanmar. Primary data was collected from garment firms in Myanmar using a structured sampling framework on the basis of ownership and size.

An interpretative framework is used to analyse skills, wages, labour turnover and gender discrimination in the garment industry in Myanmar. Data from secondary compilations and accounts from the Myanmar Garment Manufacturers Association (MGMA) officials are the main sources of information used in the analysis. Where necessary the paper also uses an interview survey of 72 garment firms in Myanmar of which 22 are either totally owned by foreign capital or joint ventures between foreign and national capital, and another 50 totally owned by national capital.

5. Implications for the Labour Process

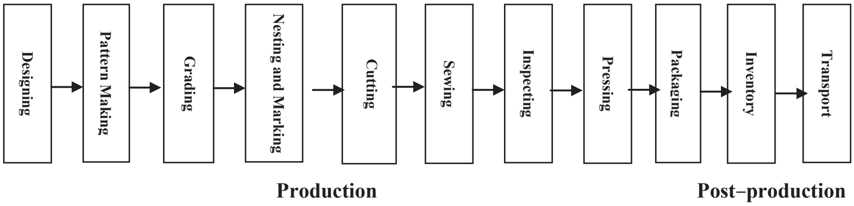
Being highly labour-intensive, garment production offers strong employment opportunities at sites capable of attracting transient low wage workers docile enough to absorb high fluctuations in labour demand. However, it is pertinent to understand the garment value chain to explain the labour process and its impact on wages, skills and working conditions. Hence, we discuss first the specialisation of garment firms in Myanmar in the value chain before examining employment, skills and wages in the industry.

Gereffi (1994) and Gereffi *et al*. (2002) provided the initial framework to understand the drivers of the global value chain. The brainstorming session with MGMA showed that garment manufacturing in Myanmar is concentrated in the production stages of cutting, sewing, inspecting, pressing and packaging (Figure 1). Put differently, garment production in Myanmar is confined to cutting, making and packing (CMP) operations. These stages enjoy the lowest value-added in the garment value chain and firms engaged only in such activities are vulnerable to volatile demand fluctuations that often translate into retrenchments whenever demand falls. Foreign firms in Myanmar from China, Korea, Taiwan and Singapore reported connecting with large buyers abroad by coordinating the production process with the participants in the pre-production process (including the fashion designers) and the logistics controllers (including shipment). A handful of large national firms have managed to penetrate the value chain to participate in such coordination roles. Hence, large buyers abroad – especially from Japan – have also outsourced orders to a few national firms.

5.1 Employment

At its peak, estimated employment in the garment industry of 2001 was around 165,000 accounting for 1 per cent of the total national employment and about 8

Figure 1: Clothing Value Chain, Myanmar, 2010



Source: OECD (2004: 143).

per cent of processing and manufacturing sector employment (MGMA, 2008). The labour-intensive nature of employment and low wages in Myanmar acted as a powerful attraction against other LDCs such as Bangladesh, Cambodia and Laos. Unfortunately as soon as the industry was ready to take off, "Made in Myanmar" products were boycotted by the major importing countries of the United States and the European Union. Some countries even proudly advertised that they do not sell "Made in Myanmar" products. When the consumer resistance was growing stronger, some foreign buyers, especially brand name holders were hesitant to buy "Made in Myanmar Garment". Finally, the US imposed sanctions on Myanmar garment products in 2003 which was the first time economic sanctions were imposed by the US in the history of Myanmar.

Faced with international pressure both foreign and national firms began to experience a contraction in exports, which led to the downsizing of workforces. Although foreign companies reoriented their export destinations, sometimes retaining the final target through exports via third countries, the inexperienced and poorly connected national firms faced far more serious problems. To make matters worse, the government imposed greater control over the industry by introducing several bureaucratic procedures in firms that participated in exports and imports. Consequently, the business environment for garment firms to import raw materials and export finished products became heavily time consuming. As a result, the majority of domestic firms and some foreign firms shut down operations. It was estimated about 70-80,000 workers were laid-off from the industry. The total employment fell to around 55-60,000 in 2004 (Kudo, 2005: 13). It has since grown slightly to be around 65,000 in 2009 (MGMA, 2010).

5.2 Skills

Garment manufacturing is a low-tech technology using industry, which neoclassical economists claim provides LDCs the opportunity to break into and grow within global value chains (Helleiner, 1973; UNIDO, 2008). Apart from the actual garment designs, much of the innovation in the industry is characterised by adaptive engineering where materials, processes and machinery are modified to raise quality, lower defects and shorten delivery times. It can offer entry-level jobs for unskilled labour and generates scarce foreign exchange necessary to pay for imported raw materials and foreign investment in capital goods. Women account for two-thirds of the global garment workforce – dominating employment in the industry in both developed and developing countries. Conditions tend to be poor – female workers in both North and South face long hours, low wages, unsafe workplaces and sexual harassment – and are associated with low unionisation rates (Delahanty, 1999; Bains, 1998; Bell, 1997). Women accounted for 70-80 per cent of the garment labour force in Myanmar in 2009 (MGMA, 2010).

On the one hand, falling literacy rates that began with the isolationist policies a few decades ago and low primary and secondary school enrolment rates have left the employable population in Myanmar ill-equipped to participate quickly in high value-added activities. On the other hand, the small number of professional and technically qualified personnel finds it more attractive to work in the other Southeast Asian countries with Thailand, Singapore and Malaysia as the main destinations. Hence within manufacturing, garment production has become an important source of employment as its flexibility allows the hiring of semi-skilled and unskilled workers to concentrate in low value-added activities. With little development in the intermediary organisations to support training, garment workers in Myanmar are characterised by low education, low skills and low wages. Where dexterity is critical as in sewing, workers are trained in-house with basic skills. Whereas in Cambodia the large presence of garment firms and improvements in basic infrastructure and political stability has attracted several training organisations (Rasiah, 2009), severe weaknesses in both areas has restricted the emergence of such organisations in Myanmar.

The nature of skills across garment firms in Myanmar has also been affected by ownership and firm size (Rasiah and Myint, 2011). With stronger international networks and capabilities, foreign firms largely use foreign personnel with experience in marketing, quality control and technological know-how, for professional and technical tasks in Myanmar. Not only are national firms disadvantaged in these matters, they have to also deal with government formalities that many producers say are discriminatory. Also, foreign firms and the few large national firms have separate departments for management, administrative, finance, logistics, maintenance, operation and production, and hence enjoy the functional capability to manage operations smoothly. Typical of operations in LDCs, both foreign and national firms in Myanmar do not have a marketing department. Whereas large firms use in-house technical staff, smaller firms have outsourced the maintenance of the machinery and equipment. Also, while supervisors handle production line responsibilities, owners handle both the management and supervision of the entire operation.

Although the abundant supply of cheap and docile labour has provided Myanmar garment manufacturers with attractive returns to participate in CMP operations without having to take the risk of committing scarce resources, it is only through an improvement in skills and technical knowledge that the workers can undertake the production of high quality garments in order to earn them higher wages and better working conditions. In addition to training, the government will have to also improve both basic infrastructure and political stability and strengthen bureaucratic coordination if it is to reduce the risks so as to promote industrial deepening.

5.3 Salaries and Wages

Economic isolation has restricted wage increases in Myanmar, though they vary according to the type and size of the firms. Myanmar's poor human rights record has seriously undermined the capacity of firms to export to countries where host-site conditions such as an intangible factor of the country's image and brand equity is important for industry competitiveness (Verma, 2002). Remuneration is normally in the form of wages and a year-end bonus. Since CMP operations are subjected to cut throat competition, wages in Myanmar are among the lowest in the world. Most firms pay direct workers on the basis of piece rates. Productivity rather than educational qualifications is the basis of remuneration involving direct workers. The minimum, maximum and mean monthly wages earned by direct workers in Myanmar in 2010 were US$50-55, 300-450 and 70-80 respectively (Table 6). Salary amounts rise with vertically superior occupational positions.

Table 6: Monthly Salary of Foreign and Joint-venture Garment Firms, Myanmar, 2010 (US$)

Job Category	Minimum	Maximum	Mean
Managers	250-350	1600-3000	800-1100
Supervisors	150-200	700-900	400-500
Senior indirect employees	70-80	400-600	100-150
Direct workers	50-55	300-450	70-80

Source: Salary Survey, 2009, Career Development Consultancy Co. Ltd, IDE-JETRO, BRC Research Report, Investment Climate of Major Cities in CLMV Countries, 2010, p. 143.

Domestic firms that often get the least-skilled staff, pay the lowest wages among garment manufacturers in Myanmar. Despite the increase in salaries over the period 2007-2010, the wages paid to all categories of personnel in 2010 were lower than the commensurate salaries paid by foreign and joint venture firms (Tables 6 and 7).

Table 7: Monthly Salary of Private National Garment Firms, Myanmar, 2007-2010

	2007	2010
Unskilled worker	17-22	25-32
Semi skilled worker	22-27	32-40
Skilled worker	27-35	40-50
Clerical and admin staff	30-45	45-65
Technical staff	30-45	45-65
Junior managerial	45-60	65-90
Senior managerial	60 and above	90 and above

Note: Salaries converted to US$ using the mean exchange rates for the year involved.
Source: Myint (2011).

Wages in the Myanmar garment sector are the lowest among selected garment exporting countries in 2004. Hourly wages in Myanmar in 2004 were less than half those earned by Indonesian, Vietnamese, Laotian and Pakistani workers, less than a third of those earned by Bangladeshi (2002 rates), Sri Lankan (1996 rates), Indian and Cambodian workers, and a quarter of wages earned by Chinese workers (Table 8). Thai workers enjoyed over 10 times the wage of Myanmar workers. MGMA (2010) reported that Myanmar workers earned around 40 per cent of the wages of national workers in Thailand. Hence, in spite of discriminatory practices reported on migrant Myanmar workers, they still enjoyed much higher wages in Thailand than their counterparts at home.

It can be seen that among the garment exporting countries, wages in Myanmar are the lowest. They are even lower than those in Laos whose garment export figures were much smaller than those from Myanmar. However, the quality and skills of the workers may not be exactly comparable. The wages in Thailand, where many Myanmar workers are working were ten times those in Myanmar.

5.4 Labour Turnover

Garment industries are also characterised by longer working hours than normal. Normal working hours stand between 12 hours and 14-16 hours a day. According to the MGMA, wages offered by the national firms are about 30 per cent less than those of foreign firms and workers are required to work 10 hours a day on average, six days a week. On the one hand, low wages and long working hours have caused high labour turnover in Myanmar. Most of the firms have

Table 8: Hourly Garment Wages, Selected Asian Countries, 2004

Countries	Hourly Wages (US$)
Myanmar*	0.12
Indonesia	0.27
Laos	0.28
Vietnam	0.28
Pakistan	0.34
Bangladesh	0.39 (2002)
Sri Lanka	0.41 (1996)
India	0.43
Cambodia	0.47
China	0.48
Thailand	1.24

Source: Apparel Magazine and Global Development Solutions, LLC (cited in Konishi, 2007).

been recruiting new workers and providing them with training. On the other hand, low waged workers can be easily found and replaced without much cost. Within the industry, the mobility of labour is higher for domestic firms than foreign firms. Another problem currently faced in Myanmar is the lack of skilled labour. Workers are shifting from one place to another. Even within the industry, workers are moving around where they can get more wages. In this industry, the wages are not significantly different from one factory to another, but small differences in wages make labour move. Another reason for the workers shifting is attraction to the garment factories at the Thai border (Mae-Sot) area where the wages are much higher. It was often claimed that many workers laid-off in Myanmar moved to Thai border areas where wages are much higher than those in Myanmar. Still, it has been claimed that Myanmar workers were getting less than Thai workers for the same job.

The factories in Myanmar are not able to pay as much as the Thai factories. Coinciding with the laying off of workers (both skilled and unskilled) following the shutting down of factories after the imposition of the 2003 American sanctions, the consequent expansion in Thai clothing manufacturing caused skilled workers from Myanmar to migrate to the Thai border area, which undermined operations in Myanmar as the depleting reserves of skilled labour have made it difficult for the factories to finish production in time. Learning by doing or giving training usually takes two to three months before a worker becomes skilled. Labour contracts are not binding in Myanmar (not only in this sector, but in almost all sectors) thereby making labour migration impossible to stem.

5.5 Gender Discrimination

There is little work on gender segregation in garment manufacturing in Myanmar. Lim (1978) and Rasiah (1988) have documented gender discrimination in the electronics industry in Malaysia, though the latter found that new technologies were actually eliminating such practices since the late 1980s. In the textile and clothing industry of Korea, Lee (1993: 507) found that different job assignment mechanisms based on gender segregation were used in the industry to maintain the competitiveness of Korean products in the international markets. Rasiah (1993) found that automation actually reduced gender discrimination in the textile and garment industries in Malaysia. However in Myanmar, interviews show that women workers in the garment industry experience severe gender segregation because of the use of obsolete machinery and equipment. In the Myanmar garment manufacturing sector 80-90 per cent of workers are women who undertake most of the labour-intensive and low wage work assignments.

Among the reasons reported for the preference for hiring more women than men in the garment sector, is that women are considered to possess nimble fingers and therefore have traditionally handled sewing machines better than men. Although some men have been recognised as highly skilled sewers, interviews with 72 firms in 2010 showed that their numbers are small. Additionally, some officials reported (MGMA, 2010) that the political environment in Myanmar has made young women docile so as to readily accept low wage work, while they also tend to be less risk averse than men. However, the factories cannot avoid some inconveniences that come with employing women, such as maternity leave, personal conflict, and other social factors. Male workers are normally assigned to more technologically complex jobs (for skilled or semi-skilled workers) and work that is physically suitable for men only (for unskilled workers) while women work on sewing, ironing, folding, pressing and packing.

5.6 Technology

Given Myanmar's specialisation in CMP operations, quality control (QC) is the most important dimension of technology use because it has a direct bearing on getting future orders from buyers. In foreign firms, QC is normally carried out in the factory premises before the items are exported through agents authorised by the buyers or parent firms. The finished products that do not meet international standards or do not reach the standards set out in the order specifications are rejected. Therefore, the standards of QC in foreign firms are not different from those of firms in the developed countries. Because Japanese consumers are very sensitive to quality, some Japanese firms or firms that target exports to Japan, hire foreign employees to maintain the quality of products approved for export. Large national exporting firms also employ foreign quality controllers to ensure that their exports are handled smoothly.

The spoilage or reject rate plays a pivotal role in high volume low margin garments such as those manufactured in Myanmar. Since the machines used in Myanmar are technologically dated, the reject rate generally depends on the skills and experience of workers. Hence, factory owners use a system of fines based on the number of rejected pieces to control for spoilage. The few firms specialising in high-end brand name garments have implemented zero defect QC systems (e.g. seam-line mistakes). National firms were reported by Myint (2011) as recording the highest reject rates in Myanmar's garment manufacturing industry.

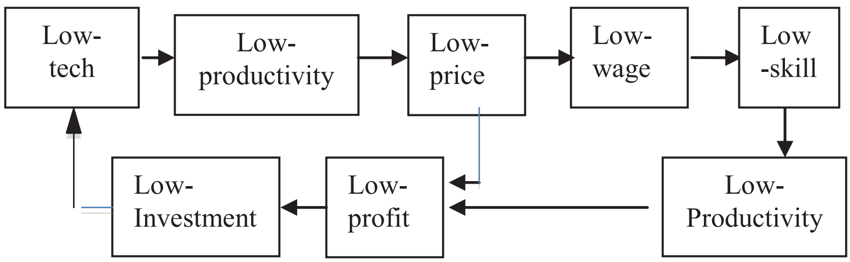
Like most LDCs, Myanmar is dependent on imported raw materials as the country lacks the capacity to supply quality fabric inputs to the garment sector. The MGMA (2010) reported that fabrics accounted for around 70 per cent of the manufacturing costs of garment firms in Myanmar in 2010. Due to weak linkages between the textile and garment sectors, processing costs are high in most LDCs. To make matters worse the logistics costs of importing textiles into Myanmar is also high as transactions costs are inflated by both poor infrastructure and corruption.

Because of the political uncertainty prevailing in the country and economic sanctions imposed by the United States, firms are generally reluctant to invest heavily in Myanmar's moribund sites. Hence, the machinery and equipment utilised are either older generation machines bought new or are depreciated machines relocated from abroad. Most machines are directly purchased from the suppliers and they then send their technicians to install them and provide training to national staff. Some firms train national technicians to undertake maintenance but the numbers are small (Myint, 2011). Despite the use of generators, frequent power failures have also discouraged the most sophisticated firms from purchasing automatic machinery and equipment to ensure defect free manufacturing.

Clearly, an extremely weak embedding support (combining both the politics and economics of the environment) has seriously undermined the capacity of firms to undertake training and other forms of technological upgrading to transform the large reserves of labour in Myanmar into high performance high wage workers. Indeed, the entire chain of linkages that, in countries such as Vietnam are driving technological upgrading, are in countries such as Myanmar working in the opposite direction to depress profit margins and restrict the introduction of best practise technologies, and hence account for extremely low wages and poor working conditions (see Figure 2). It is the operations in countries such as Myanmar that support Barrientos'

(2008) argument on how capitalist processes have kept some segments of the international labour force vulnerable to exploitative practices.

Figure 2: Vicious Cycle of Exploitation, Garment Manufacturing, Myanmar, 2010



Source: Reproduced from Myint (2011: 38).

6. Conclusions

This paper has sought to analyse the impact of inflows of foreign capital into Myanmar's export-oriented labour-intensive garment manufacturing industries, on employment, wages and working conditions. Indeed, the huge reserves of labour and the trade opening provided by the 2004 post-MFA agreement of the WTO attracted massive foreign capital inflows into the country. Despite the economic sanctions imposed by the United States and the negative image the country has since carried over from its human rights practices, the expansion of new markets such as Japan has revived somewhat the importance of the industry to Myanmar. However, international isolation economically and politically, and poor infrastructure has left firms and workers in Myanmar vulnerable to capitalist exploitation. Women particularly face a highly uncertain future as the poor working conditions include very low wages, little exposure to training and transient work.

The harsh political environment, restricted exposure to global markets and rampant corruption has stifled technological upgrading in the garment industry in Myanmar. Despite the discriminatory practices against immigrant workers, Myanmar workers enjoyed around 4 times the wages of their counterparts at home in 2002. Indeed, a vicious cycle of exploitation has evolved with each of the different components of the embedding environment and the labour process restricting technological upgrading and improvements to working conditions.

The evidence shows that the repressive conditions facing workers in Myanmar is largely a consequence of poor national policies. Foreign capital has relocated operations to Myanmar to appropriate profits from the endowments of cheap labour and preferential access to developed country markets. However, the uncertain business climate caused by political instability, economic sanctions and poor infrastructure, as well as the absence of proactive technology deepening policies has undermined the capacity of this capitalist integration to evolve improvements in the labour process facing Myanmar workers. It is clear that the host-government is the critical agent here to ensure cohesive integration in the global economy as well as to provide the basic infrastructure and the bargaining power required to leverage improvements in working conditions of garment workers in Myanmar. The focus of government should be on shifting its emphasis from political suppression to the development of infrastructure, education and intermediary organizations that support technological upgrading in firms. Only then can the demand for the creation of quality jobs and improvements to working conditions be achieved.

Note

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