A new market in 1 hour

AHK Myanmar’s weekly factsheet and webinar series, in collaboration with the German-Myanmar Business Chamber (GMBC)
Garments made in Myanmar, Laos and Cambodia

Myanmar, Laos and Cambodia have some of the youngest and fastest-growing population in the ASEAN community. Due to increasing wages in China and Vietnam, the three countries benefit from their reputation as a low-wage producer. Their garment manufacturing industries are dominated by export-oriented factories and are mainly operating in the Cut-Make-Trim (CMT) sector; therefore, the bulk of raw materials are imported mainly from China.

All three least developed countries are members of the WTO and benefits from the most favourable regime available under the EU’s Generalised Scheme of Preferences (GSP), namely the Everything But Arms (EBA) scheme, which grants unilateral duty free and quota free access for all exports, except arms and ammunition to the EU. However, benefits under the GSP Scheme are currently temporarily suspended/under review for Cambodia and Myanmar. The EU remains the largest market for the countries’ garment exports.

Most of the companies are wholly foreign owned or are operating though joint venture agreements between local and foreign companies, that are mainly based in Milan, China, Hong Kong, Japan, South Korea and Taiwan.

However, the three countries are highly dependent on imports of raw materials, foreign technical support and knowledge in this sector. Myanmar, Cambodia and Laos are facing additional challenges such as e.g. low production quality, insufficient quality controls and standards and an insufficient electricity supply.

MYANMAR

Myanmar is the largest country of the three states, with a population of 54.3 million and a land area of 653,500 km². Being the country’s leading export sector, Myanmar’s garment exports increased to around US$4.6 billion in the 2018-2019 FY, making up 31% of the country’s total exports. Myanmar exported garments worth some US$ 519 million to Germany and clothing valued at US$ 213 million to the United Kingdom in 2017.

The majority of the garment factories operate in the Yangon region. Other key locations are Bago, Pathein, Hpa-An and Mandalay. There exists a total of 533 garment manufacturers employing more than 400,000 workers in Myanmar, 355 are foreign owned factories, 148 local factories and 30 joint venture companies.

Product-wise Myanmar focuses on outer wear (jackets, coats and formal suits), high-tech sportswear and outdoor clothing. Woven products are the main exports to the EU.

Western buyers often rely on existing relationships with their Asian manufacturers to explore new manufacturing. Therefore, the retailers often only establish a presence in Myanmar and produce through existing foreign owned manufacturing factories. Global players sourcing in Myanmar include e.g. Adidas, Arrow, Deuter, Esprit, GAP, Marks & Spencer, New Look, Primark, and Top Shop.
Additionally, the Ayeyarwady Development Public Co. Ltd. signed an agreement in January 2019 with Hong Kong-based China Textile City Network Co. Ltd. to establish approximately 50 garment factories in Pathein Industrial City by the end of 2020. The factories plan to export to South Korea, Japan and Europe. Additionally, the government has prioritized the garment sector as a focus industry for investments and export promotion under the National Export Strategy (NES) 2020-2025 and thus provide significant untapped opportunities for investors.

CAMBODIA

The Kingdom of Cambodia has a population of 16.25 million and a land area of 176,520 km². Mostly the garment manufacturing factories are concentrated in and around the inland capital city, Phnom Penh, from which containers are trucked 230 km to be se-freighted from the deep-sea port in Sihanoukville. With a share of 1.5% in the world’s export value, Cambodia is the 9th largest garment producer in the world with US$ 8.4 billion in 2018.

There exist around 625 exporting garment factories, which are mainly foreign owned and subsidiaries of larger Asian parent companies. The Cambodian garment industry employs around 550,000 workers.

The sector focuses mainly on knitted and woven garment products. Western retail companies that source from Cambodia include e.g. H&M, Inditex, N Brown Group, Tchibo, Next, New Look, Gap, Banana Republic, Nike, Levi, C&A, Walmart, Puma, Old Navy, Adidas, Calvin Klein, Clarks, Marks and Spencer, and Tesco. The EU still remains the largest buyer of Cambodia’s garment products with around 43% in 2018. The second-largest destination market was the US accounting for a share of almost 26%, followed by Japan with 9%.

LAOS

Laos has the smallest population, about 7.06 million inhabitants, among the three countries covered here and has a surface area of 230,800 km², without any direct access to the sea. Due to the fact that Laos is landlocked, the country mainly sends its exports to ports in Thailand and Vietnam which causes additional costs for garment suppliers.

Compared to Myanmar and Cambodia, the country has the smallest garment industry with an export value of only US$174.23 million in 2016. The main export markets are the EU, Japan, the United States and Canada.

There are about 100 garment producing factories employing around 30,000 workers, which are mostly owned by overseas interests. The factories are located in the area surrounding Vientiane and Savannakhet.

COVID-19 RELATED BUSINESS ISSUES

Especially factories of the garment sector are facing unprecedented challenges as the supply of raw materials from China stalled and Western importers cancelled orders. Therefore, the EU, as the main importer, provided €5 million in cash to support the garment workers in Myanmar. The funds will be used to support at least 30,000 to 80,000 workers being laid off because of the closure of many factories.

Moreover, four factories, including garment manufactures, started producing face masks due to the outbreak of the virus in Myanmar in mid-April. Also, the government had signed a deal to purchase 100,000 pieces of PPE.

Additionally, the European standardisation organisations CEN and CENELEC, with the agreement of all their members - including DIN (Deutsches Institut für Normung) - and in consultation with the European Commission, have decided to provide a set of European standards for medical devices and personal protective equipment to support the fight against the COVID-19 pandemic.
BEST PRACTICE COOPERATION WITH GERMANY

In 2015, the GIZ started its six-year project FABRIC (Promoting Sustainability in the Textile and Garment Industry in Asia) to support the Asian textile and garment industry in its transformation towards fair production for people and the environment. The project operates in Bangladesh, Cambodia, Myanmar, Pakistan and Viet Nam and works with China.

The project ran some of these training sessions together with international retailers such as Adidas, Tchibo and H&M. For instance, around 70,000 workers in more than 50 factories in Cambodia, Myanmar and Pakistan have participated in dialogue training with managers and employee representatives. Together with sequa gGmbH and SMART, the project has developed an app called Shwe Job that provides information to employees on employment law and workplace safety rules in Myanmar. In addition, FABRIC established the first inter-Asian network of producer associations under the name of STAR (Sustainable Textile of the Asian Region). This partner-ship led to a series of conferences entitled Asian Dialogues on Sustainable Production in the Textile and Garment Sector.

OUR BUSINESS PARTNER RESEARCH

Even during times of COVID-19, we are there to support you and your business in discovering new and expanding existing business opportunities. We continue to offer our tailored business partner research for you. All services can be exclusively provided via e-mail and phone. For more information, please contact us under the details below.

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JOIN OUR WEBINAR

We are hosting a webinar on the topic of Garment made in Myanmar, Laos, and Cambodia on Thursday, 14th May from 10:00 to 11:00 Germany time / 14:30 to 15:30 Myanmar time. We are looking forward to welcoming two external experts: Jacob Andrew Clere, SMART Textile & Garments/ Myanmar and Philipp Glaiser, ECCIL Laos.

Please pre-register your participation with our Events and Communication Manager Mrs. Thet Htet Lin Han @ Yuki:
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