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## Garment makers hope US sanctions ease

By Soe Sandar Oo | Monday, 02 January 2012

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A garment worker at a factory in Yangon Region. Pic: The Myanmar Times archive

After a disastrous year battling a weak US dollar exchange rate, garment makers are gearing up to boost production in the hopes that Western sanctions will ease, industry figures said last week.

The renewed hope follows the early December visit to Myanmar by US Secretary of State Hillary Clinton.

"I'm sure that this is the start of a good period for the industry because I think the government will do everything it can do to boost the sector since it employs so many people," said U Khin Maung Aye, managing director of Lat War Company in Hlaing Tharyar Industrial Zone, which runs two factories and manages two more.

He said that if the United States eased sanctions – specifically the ban on purchasing goods made in Myanmar – clothing orders from US firms would quickly follow.

He added that the US market bought 50 percent of Myanmar's garment exports from 2000 until 2003, when the sanctions were applied.

Since then many factories have shut down and the industry has been forced to focus instead on the Asian market, he added.

"If sanctions were dropped many of the factories that shut after 2003 would be restarted; some are already prepared," he said.

"In fact, I think there are not enough factories operating to handle the orders we would likely receive if the sanctions were dropped," he added.

A spokesperson for the Myanmar Garment Manufacturers Association said Vietnam boosted the number of garment manufacturing jobs from 10,000 to 100,000 in one year, which he said Myanmar could be poised replicate.

"I think Myanmar could match Vietnam in terms of the number of people employed in the garment industry," he said.

Even if the US sanctions are not eased the future of the industry remains bright because South Korea and Japan have been steadily increasing their orders.

However, U Khin Maung Aye said the impact of the weak US dollar, which has fallen by about 25pc in the past year against the kyat, was pushing businesses to book losses rather than turn away customers.

He said that the cost of living was rising and employers had to lift salaries to compensate if they wanted to hold onto staff. But at the same time companies could not raise the price of their orders or risk losing out to foreign competitors.

"It has been a difficult year because I don't want to reduce the size of my labour force but sometimes we must accept losses from orders," he said.

"I don't even want to think about the exchange rate because that has been the biggest problem this year but I've kept up our operations and even expanded in the hope that sanctions would be eased," he added.

At the same time, Myanmar faces competition from Bangladesh, which also has a large pool of cheap labour but enjoys tax exemptions in the European Union, a major export market.

He added that a number of Taiwanese firms, encouraged by the low-interest loans available from Taiwanese banks, were ready to investment in the industry. But he warned that domestic companies would need to be prepared when approached by foreign firms or risk losing profit.

"Local businessmen have to be ready before they agree to work with foreign companies or they will only get a tiny slice of the profits," he said.

U Khin Maung Aye said his company's orders were up 30 percent year-on-year in 2011, with contracts signed to supply clothing to firms in South Korea, Japan, Italy and Germany.

"But 90pc of our orders came from the US before the sanctions were imposed."

Daw Thandar Soe, director of Amazing Tree Collection in Hlaing Tharyar township said: "I'm sure order will come to Myanmar if sanctions are dropped because labour charges are low here, lower even than China."

Daw Thandar Soe added that she was preparing to expand Amazing Tree Collection in anticipation of sanctions being lifted.

"The most difficult issue is hiring land to build a new factory. Some businesspeople just buy plots of industrial land as investments and never develop them. They just hire them out or sell them if the price is high enough but it creates problems for companies that actually want to set up factories."

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