

Myanmar Military Coup Threatens Sourcing in ‘Sunrise’ Garment Sector

By *Mayu Saini*



Military supporters drive along the Streets in Yangon. Myanmar's military detained the country's de facto leader Aung San Suu Kyi and the country's president in a coup. CREDIT: Aung Kyaw Htet / SOPA Images/Sipa USA via AP Images

As Yangon, the capital of [Myanmar](#), and surrounding areas shut down after the military announced a coup early Monday morning, concerns about the situation for trade union leaders, [labor](#), and the effects on business and manufacturing have been surfacing throughout the region, where brands from Gap, H&M, Marks & Spencer and Primark to New Look, Muji and C&A have all worked with garment factories in recent years.

Army chief Senior Gen. Min Aung Hlaing has become the de facto leader, with the Tatmadaw, the official name of [Myanmar](#)'s armed forces, acting on their earlier complaints that the November elections in Myanmar did not stand up to scrutiny, and had falsified results.

The military action came as the parliament was due to meet on Monday to begin business for the elected government's second term and drew condemnation from global leaders including President Biden.

The military announced a state of emergency for up to one year.

Banks remained closed, domestic flights were suspended, and concern about freedom of speech surfaced as the military reportedly detained ruling party leaders including Aung San Suu Kyi and president U Win Myint of the National League for Democracy (NLD).

Party leader Aung San Suu Kyi, who has already spent 15 years in detention before she prevailed in a democratic election and came to power in 2015, won the Nobel Peace prize in 1991 for her non-violent struggle for democracy and human rights.

Labor leaders, who say the government has been slow to recognize their presence as well as the essential nature of their work helping factories ensure better working conditions, expressed concerns about the future.

Myanmar has been seen as a sunrise industry for garment production, with a growing number of global brands and retailers looking at the low wage structure as an additional advantage, along with the plentiful labor, and the high-quality production work. The minimum wage in Myanmar is 4,800 kyat (\$3.61 per day, \$108.3 per month), close to half that of Cambodia and Vietnam.

In a situation where the European Union is considering withdrawing Myanmar's Generalized System of Preferences (GSP) status, the coup comes as an increased concern for factory owners who have been hoping to meet the requirements to keep GSP status, which gives Myanmar a price advantage that maintains its competitiveness in exports.

More than 600,000 workers are employed in Myanmar's garment industry.

Labor leaders who asked not to be named said that the destabilization and process of change in the government would discourage brands from investing in Myanmar, and further hinder an industry reeling from the Covid-19 pandemic that forced factories into lockdown again through October of last year. For example, local media reports indicate that Eastern Development International (Myanmar) Co. Ltd. (known as Dongzhan Textile Group in China) submitted a proposal last week to build a \$370 million textile manufacturing hub in the country, per The Irrawaddy, and geopolitical instability could threaten such investment plans.

Trouble has been brewing for some time. Over the summer, Esprit cut ties with an apparel manufacturing facility in an industrial zone linked with the Myanmar military, and global names like H&M and Bestseller similarly reviewed their sourcing arrangements based on an alarming U.N. International Fact-Finding Mission report, according to Asian news outlet Nikkei.

There's tension between garment workers and factory owners, too. Ko Pyae Sone Aung, chair of the Unique HTT garment factory, detailed to the Myanmar Times an alleged assault that left union leader Ko Zaw Hein with a concussion after he went to a court hearing on labor issues between factory workers and owners.

“The factory manager’s words and Ko Zaw Hein’s mauling coincides,” Ko Pyae Sone Aung told the Myanmar Times. “We have video record of the factory manager saying they can eliminate labor union leaders by hiring people like in China.”

Since 2015, Myanmar garment exports have been accelerating, with the development of industrial zones and increasing incentives for foreign investors. Garments have quickly become the leading export sector in the country with an approximate \$4.28 billion exports in financial year 2019-20, which runs from Oct. 1 to Aug. 31.

The aim of getting garment export value to \$10 billion by 2024 and creating more than a million jobs now comes into question, with what industry analysts see as sourcing disruptions that exacerbate Covid-19 factory closures and order cancellations.

Smart Myanmar, a European Union initiative, has also worked to help workers in the industry, and in January doubled its support for the nation’s garment workers to 10 million euros (\$12.08 million), especially to help the sector’s unemployed women migrant workers. The program, launched in May 2020, has already provided support to more than 60,000 workers.

What happens from here hinges on how the world responds to the unrest. “A lot depends on how the US and EU react to the situation,” said an analyst who asked not to be named.

Labor groups from around the world have been expressing their support, too. “We stand in solidarity with the people of Burma, their trade union movement and the other institutions that are defending democracy in the country,” said Sharan Burrow, general secretary, International Trade Union Federation (ITUF), in a statement. “Claims by the military of electoral fraud have been rejected by the Myanmar Electoral Commission and are simply a fig leaf for the generals

who want to retain power, regardless of the cost to the people and the national economy.”

Fair Wear also echoed concern over recent political events in the Southeast Asian nation. “At present, most communication channels are unpredictable (on and off), as are banking services, ” according to a statement from the nonprofit, which champions garment workers’ rights and living wages. “It is too early to foresee the consequences on workers’ rights in Myanmar. We will monitor the situation carefully, keeping in close contact with our local staff (whenever possible) and advising our member brands on how to best help the workers in their supply chains.”

Meanwhile, a statement by White House spokesperson Jan Psaki similarly underscores the lack of superpower support for the military junta.

“The United States opposes any attempt to alter the outcome of recent elections or impede Myanmar’s democratic transition, and will take action against those responsible if these steps are not reversed. We are monitoring the situation closely and stand with the people of Burma, who have already endured so much in their quest for democracy and peace,” the statement noted.

In a statement Monday afternoon, President Biden forcefully denounced the coup as a “direct assault on the country’s transition to democracy and the rule of law.”

“In a democracy, force should never seek to overrule the will of the people or attempt to erase the outcome of a credible election,” he added, noting plans to review sanctions on Myanmar and take any “appropriate action.”

“For almost a decade, the people of Burma have been steadily working to establish elections, civilian governance, and the peaceful transfer of power,” Biden said. “That progress should be respected.”

Additional reporting by Jessica Binns.